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France	FFr7.50	Lux	LFr55	Switz	SFr2.50
Germany	DM2.50	Malaysia	M$4.25	Thailand	Bht80
Greece	Dr150	Morocco	Dh8.00	Tunisia	Din0.900
Hong Kong	HK$12	Neth	Fl3.25	Turkey	L1400
Hungary	Ft107	Nigeria	Naira30	UAE	Dh7.50
Iceland	IKr160	Norway	NKr12.00		
India	Rs15	Oman	OR1		

FOREIGN AFFAIRS

Ignoring Lenin's legacy to the Baltic

Page 19

World News

Shevardnadze statement is boost for German unity

The weekend statement by Soviet Foreign Minister Eduard Shevardnadze that Germany can unite before the question of alliance membership is cleared is seen as recognition from Moscow that unity is inevitable. Page 20

Pipeline fire

A gas pipeline burst into flames north of Kurgan in western Siberia, Tass reported. The agency said there was no loss of life or danger to nearby settlements.

De Klerk mission

President F. W. de Klerk of South Africa was due to leave today on a tour of Europe where he will attempt to convince leaders of the good faith of his Government's reforms. Page 3

Avalanche victims

Rescuers recovered the bodies of four Swiss skiers who died in an avalanche in the Bernese Oberland region on Saturday. Three others are missing, presumed dead.

West Bank clashes

The Israeli army confined more than 120,000 Palestinians to their homes in the occupied Gaza Strip and West Bank and at least seven residents were wounded in clashes with soldiers.

Cuba jams radio

Cuba started 24-hour jamming in Havana of Radio Marti, the US Spanish-language station transmitted from Miami, and said it would extend the jamming to the whole island.

Two shot in Brussels

A police bullet wounded two people, one critically, during a demonstration in Brussels by workers trying to avoid the possible bankruptcy of the PRB gunpowder factory.

Irish jail protest

Nine prisoners ended a rooftop protest at Mountjoy Jail in Dublin, leaving a lone inmate to continue demonstrating over medical facilities for treatment of men with the AIDS virus.

New Afghan Premier

Afghan President Najibullah named Fazal Haq Khaliqyar as the new Prime Minister of his Soviet-backed Government, Kabul Radio reported.

Australian crash

Six people died and more than 100 were injured when an inter-city commuter train and a tourist steam train collided north of Sydney on Sunday night. Photograph, Page 4

Beirut death toll

Seventeen people were killed and 31 wounded in Beirut as rival factions pounded each other with rocket launchers and artillery.

Nationalists win

Croatian nationalists headed for a landslide win over the ruling Communist Party after the second round of the Yugoslav republic's free elections.

Charge dropped

Donald Acheson, an Irish citizen held in custody in Windhoek, Namibia, since last September in connection with the assassination of Swapo leader Anton Lubowski, was freed and the murder charge against him dropped.

Polar record

Two Norwegian skiers, Erling Kagge, 28, and Boerge Ousland, 27, reached the North Pole, becoming the first men to make the icy trek without dogs, motorized vehicles or outside supplies, their Oslo base announced.

The lost weekend

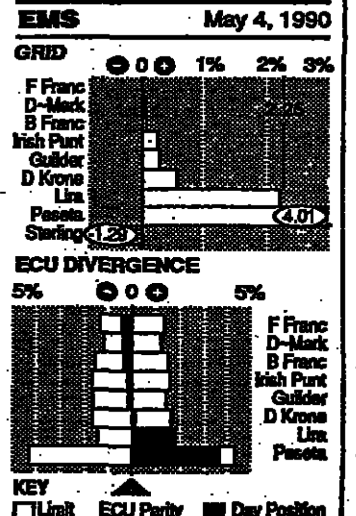
Egyptian President Hosni Mubarak has ended the long weekend, ordering a six-day working week for all government employees.

Business Summary

Pan Am chief says Lockerbie cost airline nearly $250m

The Lockerbie disaster cost Pan Am nearly $250m in losses and seriously undermined the financially troubled US airline's recovery efforts, Mr Thomas Plaskett, Pan Am's chairman, said in an interview. He confirmed that the airline's search for a partner was continuing and that exploratory talks were under way with a European carrier. Page 20

EUROPEAN Monetary System: Sentiment surrounding the D-Mark improved on Friday, following a regional agreement involving employers and the West German engineering workers' union. However, it remained towards the bottom of the EMS on inflationary fears involving German monetary union. The Italian lira hovered around its upper divergence limit, prompting the Bank of Italy to sell lira against D-Mark and European Currency Unit on Friday.



The chart shows the constraints on EMS exchange rates. The upper grid, based on the system's weakest currency, defines the cross-rates from which only the peseta may move by more than 2¼ per cent. The lower chart gives currencies' divergence from the central rate against the European Currency Unit (Ecu).

WEST Germany assured its leading western trading partners that its plans for economic union with East Germany should not lead to prolonged higher interest rates or put the world's capital markets under strain. Page 2

JAPANESE financial institutions indicated that they would be significantly less active than usual at a US Treasury bond auction today, and suggested that the auction could be a turning point for Japanese participation in the market. Page 3

BRAZIL, the largest Third World debtor nation, will continue a moratorium on interest payments to foreign creditors at least until debt negotiations start in the second half of the year, according to the country's Economy Minister. Page 2

CITY of London analysts have raised their forecasts of UK inflation as fears mount that high price increases will become built in to wage rises. Page 8

TNT, the Australian-based multinational transport company, reported a fall of 39.6 per cent in net equity accounted profits from A$149.5m ($113.25m) to A$90.3m for the nine months to end-March, largely as a result of losses caused by a national strike by Australian domestic airline pilots. Page 21

SINGAPORE Land investors reacted coolly to the Singapore property group's plan to fight off a bid from United Industrial Corporation, a local conglomerate, involving the potential listing of an associate company and a professional revaluation of its assets. Page 23

Report claims Indian Airlines 'not ready for Airbus'

By David Housego in New Delhi

INDIAN AIRLINES failed to appreciate the scale of problems involved in bringing into service a large number of Airbus A-320 aircraft and was ill-equipped for the task, according to a confidential report commissioned for the Indian Government.

The report on the preparedness of Indian Airlines to operate the aircraft is also critical of Airbus Industrie, the European manufacturer, for "inadequacies" in the training programme provided for Indian Airlines' pilots in Toulouse.

Airbus Industrie immediately rejected the claims in the Indian report. But the report is expected to further intensify the controversy between the Indian authorities and the European aircraft consortium.

The committee which produced the report under Air Marshall S.S. Ramdas says, however, that if various deficiencies were put right immediately, flights of the Airbus A-320 could be resumed "in a phased manner."

In spite of this recommendation, Mr V.P. Singh, the Indian Prime Minister, has decided that Indian Airlines' fleet of 14 aircraft should remain grounded until the causes of the crash of an A-320 in Bangalore in February have been established.

The Ramdas committee says: "The management of Indian Airlines did not seem to have appreciated that considerable planning was required to induct such a large fleet of state-of-the-art technology aircraft in terms of training of pilots and engineers, and setting up of suitable infrastructure to support operation of the fleet."

The committee, in sharply critical remarks, says: "There was a lack of appreciation in the management cadre of Indian Airlines of the magnitude and complexity of the project. There was a lack of detailed planning for induction of the aircraft and a lack of co-ordination between departments.

"This was further compounded by the lack of continuity in the higher and middle management of Indian Airlines."

As a result, the report says, the rate of induction of the A-320 was "far more rapid than could be handled by the pilots, engineers and maintenance infrastructure of the airline."

On the training programme provided for the pilots by Aeroformation, a subsidiary of Airbus, at Toulouse, the report says that "though the extraordinary capabilities of the aircraft were well emphasised during the course, the limitations of the aircraft and systems were not."

The Indian Directorate General of Civil Aviation has put most of the blame for the crash in which over 90 people were killed on pilot error.

The committee says the sim-

Continued on Page 20

Pan Am counts the balance sheet cost of the Lockerbie disaster, Page 20; Indian Airlines results, Page 23

Britain and France resolve dispute over IMF rankings

By Peter Norman, Economics Correspondent, in Washington

AN AGREEMENT making London the home of a new international bank to help eastern Europe has enabled Britain and France to resolve a long-running dispute over their rankings in the International Monetary Fund.

The outline pact also removed one of the objections to a proposed increase in the resources of the International Monetary Fund, raising hopes that this issue might be resolved at a meeting yesterday of the IMF's policy-making Interim Committee.

At a weekend meeting of ministers and central bank governors from the Group of Seven countries, Mr John Major, UK Chancellor of the Exchequer, accepted a complex formula that will give Britain and France equal fourth place in the IMF for the foreseeable future.

London will become the home of the European Bank for Reconstruction and Development, a new institution intended to help guide the new democracies of eastern Europe towards market-based economic systems.

In return, Britain and the other G7 nations agreed to back Mr Jacques Attali, economic adviser of President François Mitterrand of France, as first president of the bank.

The negotiations on the package – described by one participant as "real horse trading" – should help the IMF to secure an increase in its quotas or membership fees after around three years of discussion and negotiation.

Mr Major yesterday said the deal with France was an agreement in principle, was complex and would last for a long time and prevent the problem of rankings recurring.

He declined, however, to give details until it has been finalised.

He added: "I shall be very surprised if we haven't dotted the i's and crossed the t's by the end of the month."

The bank, which will be capitalised at Ecu10bn ($12.20bn) is expected to employ between 500 people initially, rising to 1,000 later.

The British Government regards siting the bank in London as an important prop to the City of London as a financial centre.

In a statement issued on Sunday, the G7 nations – the US, Japan, West Germany, France, Britain, Italy and Canada – supported a 50 per cent quota increase. If the Interim Committee approves the quota plan the Fund's resources will rise to SDR135bn ($175bn) from SDR90bn. A settlement of the rankings problem was made possible by a novel deal between Britain and France.

Britain had been prepared to see its quota share drop to around 6 per cent from 6.9 per cent, as part of a move to lift

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IMF and G7, Page 2; Japan's interest wanes, Page 3

World Bank President Barber Conable (right) greets IMF Managing Director Michel Camdessus on Sunday

China crisis fuels 'capital flight' from Hong Kong

By John Elliott in Hong Kong

A LOSS of business confidence in Hong Kong following last June's Tiananmen Square crisis in China contributed to an estimated 10-fold increase in capital outflows totalling HK$22.34bn ($2.86bn) during 1989, compared with HK$2.03bn in 1988, according to the Hongkong and Shanghai Bank's monthly economic report.

The figures are based on the indirect evidence of balance of payments and other published statistics which economists say suggest that there will be an outflow of about HK$32bn-HK$33bn this year.

No firm government statistics are available because no overall balance of payments figures are published.

The estimates will fuel fears of a major flight of capital from the colony as its return to Chinese sovereignty in 1997 approaches.

Government officials argued yesterday that a considerable, but unestimated, proportion of the outflow resulted from buoyant companies investing abroad which demonstrated the underlying strength of the econonmy.

The bank's report does not include any forecasts for next year but it does warn that "to the extent that the outflow of capital in 1989 was the result of a loss of confidence in the future prospects of the economy, it can be expected to continue until confidence is restored."

It warned that economic growth could be held back because large trade surpluses would be needed to finance a persistently high outflow. Government figures show that economic growth dropped to around zero at the end of last year. No official figures are available for the past few months, but forecasts for growth in the current year are around 3 per cent.

The Hongkong Bank's figures are based on calculations which start with last year's visible and invisible trade surplus of HK$38.83bn, from which it deducts HK$10.98bn government surplus and HK$5.46bn for increases in notes in circulation. That leaves HK$22.39bn inflow which, the bank's economists say, must have been balanced by a corresponding net outflow elsewhere in the accounts.

Government officials acknowledged that there has been a sharp increase in borrowing in Hong Kong dollars to finance investment abroad and that investments have also been switched overseas.

"We have no statistics to prove or disprove the report but the idea that there has been a massive outflow is not supported by the movement of the exchange rate which has been stable around the pegged rate of HK$7.80 to the US dollar without the need for intervention by the authorities," said Mr David Nendick, Monetary Secretary.

Banking figures published a week ago showed that the ratio of Hong Kong dollar loans to deposits grew from 92 per cent in 1986 to 103 per cent in 1988 and 117 per cent last year. But Mr Tony Nicolle, Banking Commissioner, denied that there was a flight of capital.

He said there was "no shortage of Hong Kong dollars." Lending had been in line with economic growth in money terms and a recent one percentage point rise in interest rates to 10 per cent should help to dampen loan demand.

Latvians elect nationalist as Premier

By Quentin Peel in Moscow

THE LATVIAN parliament yesterday elected an outspoken nationalist leader as Prime Minister, in the face of heavy pressure by the Soviet military and Russian-speaking workforce to reconsider its decision to secede from the Soviet Union.

The election of the Premier underlines a growing confrontation between the Soviet authorities and the nationalist movements in the three Soviet Baltic republics, rather than any attempts at reconciliation.

It comes as Mr Mikhail Gorbachev, the Soviet President, is facing simultaneous nationalist demonstrations not only in the Baltic republics, but also in Ukraine, Moldavia, Georgia, Armenia and Azerbaijan, compounding his fragile political position.

Mr Ivars Godmanis, a deputy chairman of the Latvian Popular Front, was the sole candidate for Latvian premier. He is regarded as the strongest political leader in the movement, is not a member of the Communist Party, and is a dedicated supporter of independence.

His election came only hours after the Red Army paraded tanks and armoured vehicles through the streets of Riga, the Latvian capital, in an obvious show of strength intended to warn the parliament of the consequences of its decisions.

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Indevo plans merger with Bain of US to compete worldwide

By Robert Taylor in Stockholm

INDEVO, Sweden's leading management consultancy, plans to merge with Bain & Co, the major US consultants, to form what is claimed will be one of the world's largest management consultancy companies.

The proposed deal, announced yesterday, reflects the growing trend to a greater concentration of ownership in management consultancy in western Europe.

A further aim is to compete globally against McKinsey, one of the best-known names in world consultancy.

Indevo has been involved in many of the large industrial restructuring projects in Sweden over the past 10 years, including those at Saab-Scania and Asea Brown-Boveri as well as Scandinavian Airlines System, the Swedish postal services and the country's state-owned railways.

"We have strived to internationalise our business for quite some time," said Mr Ulf Hudendick, Indevo's president.

"Now we can achieve this goal."

The two companies believe their corporate cultures are similar and they have "special competences that complement each other in a number of fields."

Bain, which is privately owned, is best known in the UK for its role in the Guinness affair.

The secretive US consultancy lent Guinness the services of Mr Olivier Roux as finance director during the 1986 takeover battle for Distillers.

Indevo said a number of its top executives in co-operation with Bain will form a consortium called Indevo Holding.

The new company will offer all existing Indevo shareholders SKr125 ($20) a share, while those with convertible debentures will be offered SKr250 per convertible.

Bain and Co has an option to acquire all the shares in Indevo Holding at equivalent terms to those now being offered to the owners of Indevo.

The Indevo board is unanimously recommending the offer to share and debenture holders.

The offer is open to the end of June and a prospectus will be published in about three weeks.

It is already clear that the deal will go through, as the group of Indevo senior managers and other shareholders already control around 67 per cent of the capital and 84 per cent of the voting rights.

Bain said in Stockholm yesterday that it would look at the prospects for the remainder of Indevo's activities which will lie outside the new consortium over the next six months. These include executive recruitment, market communications and the provision of financial services.

Indevo last year had assets totalling SKr811.1m, operating revenue of SKr417m and profits after financial items of SKr26.6m.

It claims to have about 20 per cent of the market share for consulting in Sweden.

Indevo said the merger is subject to approval by US and Swedish authorities.

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Lockerbie disaster costs Pan Am nearly $250m in losses

Thomas Plaskett (left), chairman of Pan Am, concedes that the Lockerbie bombing had a "devastating effect" on the airline, which is now looking for a partner to maximise the value of the name Pan Am. Page 20

MARKETS

US lunchtime rates
Fed Funds 8$\frac{1}{16}$%
3-mo. Treasury Bills: yield: 8.04%
Long Bond: 96$\frac{1}{32}$
yield: 8.85%

London markets were closed for the May Bank Holiday

STERLING
New York lunchtime: $1.6690

DOLLAR
New York lunchtime:
DM1.6555
FFr5.5630
SFr1.4315
Y158.03
Tokyo close: Y157.80

GOLD
New York: Comex Jun $374.0

STOCK INDICES
New York lunchtime:
DJ Ind. Av. 2,723.85 (+13.29)
Tokyo: Nikkei 30,958.27 (+782.63)

LONDON MARKETS WERE CLOSED FOR THE SPRING BANK HOLIDAY ON MONDAY

OVERSEAS NEWS

FT writers in Washington report on the outcome of meetings between finance ministers and central bank chiefs on world economic issues

W Germany reassures partners over interest rates

By Peter Norman

WEST GERMANY has assured its leading western trading partners that its plans for economic union with East Germany should not lead to prolonged higher interest rates or put the world's capital markets under strain.

Mr Theo Waigel, the West German Finance Minister, told fellow finance ministers and central bank governors from the Group of Seven countries that such worries were unfounded. Earlier on Sunday, Mr Karl Otto Pöhl, president of the West German Bundesbank, said the fears of higher interest rates following German union were exaggerated.

In his speech to Sunday's G7 meeting, Mr Waigel also assured the Soviet Union and east European countries that East Germany would stand by its trading obligations with the Comecon countries after the conversion of its currency to the D-Mark on July 2.

Mr Waigel underlined that the extra demands on the West German budget from German economic union would be temporary and start to decline from 1992.

He said that Bonn would ensure that borrowing by the West German Government and by East Germany after adopting the D-Mark as its currency would not present an excessive burden for the German capital market.

Germany could tolerate a temporary increase in net borrowing because of its favourable economic position.

It had no plans to abandon its counter-inflationary budget policy, he said. Mr Waigel repeated his earlier pledge that Germany would not raise taxes to finance the costs of union.

At a meeting with the press, Mr Pöhl said that the recent rise in interest rates meant that the market already discounted union to some extent.

He said that the general rise in interest rates this year also reflected other factors, notably fears of rising inflation in the US, Britain and Italy.

Mr Pöhl said that high real interest rates in West Germany were appropriate in current circumstances. West Germany experienced very strong growth last year and high real rates held out the hope that it would keep inflation under control.

In the 1970s, countries which allowed negative real interest rates had suffered double digit inflation, he added. West German optimism about the outlook for economic union with East Germany has been strengthened by an apparent change in attitudes in the East German Government.

Mr Horst Köhler, a state secretary in the West German Finance Ministry and one of the handful of officials negotiating the treaty on economic, monetary and social union between the two Germanys, told the press that East Germany had withdrawn several of its original demands.

He said that East Germany now was prepared to privatise state property to reduce the East German budget deficits after the planned currency conversion.

East Germany has estimated its budget deficits at between DM20bn (£7.27bn) and DM30bn in the second half of this year and between DM40bn and DM60bn next year.

Mr Waigel said that the Bonn Government regarded the maintainance of East Germany's traditional trade links with other east European countries as important for the maintainance of good political and commercial relations with those countries.

"That is especially the case with the Soviet Union and we must ensure that the USSR suffer no disadvantages from the economic and monetary union," Mr Waigel said.

Brasília to continue moratorium on interest payments

By Stephen Fidler, Euromarkets Correspondent

BRAZIL, the largest Third World debtor nation, will continue a moratorium on interest payments to foreign creditors at least until debt negotiations start in the second half of the year, according to the country's economy minister.

The country suspended payments to bank creditors last September and now owes commercial banks $5.5bn (£3.35bn) in interest arrears. It has since started to delay payments to government creditors.

In an interview, Ms Zelia Cardoso de Mello said Brazil intended to start negotiations with the International Monetary Fund once the Government had completed a review of its budget, which should be by the end of May.

Agreement with the IMF on an economic programme she expected to take a month or so. After this, Brazil would start negotiations with the Paris Club of government creditors and the banks. "Until then, we are not going to modify our position on payments," she said.

She said Brazil would not make a payment in an effort to prevent US bank regulators – meeting in mid-June – from forcing American banks to set aside reserves on their Brazilian exposure. The effort of the two-month-old administration of President Fernando Collor de Mello would instead be concentrated on bringing down inflation.

She said it was too early to specify the type of external debt arrangement the country needed. But the Government wanted to secure an agreement with all creditors that her country could fulfil on a permanent basis. Creditors would then be certain about the prospects for payment.

Brazil – with a total foreign debt of $115bn – is a prime candidate to benefit from the Brady initiative. The initiative, named after the US Treasury Secretary, Mr Nicholas Brady, was launched last year and is designed to reduce the commercial bank debt burdens of developing countries.

About $70bn of the foreign debt is owed to banks. But bankers say that the large arrears built up by Brazil will act as an obstacle to a debt agreement.

Brazilian officials have mentioned an annual debt servicing burden of about $5bn annually as being appropriate – a cut of 50 per cent or more in the scheduled interest bill. But Ms Cardoso de Mello said: "We need to finish the [fiscal] review to know the exact number. But I'd like you not to fix in the number but to fix on the idea that we want to establish an agreement we can fulfil." Too often in the past, she said, Brazil had committed itself to agreements that it could not possibly comply with over the long term.

The Government has named Mr Jorio Dauster, a career diplomat who served in London as the country's representative in the International Coffee Organisation, as its chief debt negotiator.

Iran may seek Bank loans for economic reconstruction

By Stephen Fidler

IRAN may attempt to borrow funds from the World Bank to help finance its economic recovery from its war with Iraq.

That possibility – controversial in view of the country's difficult relations with the US, the Bank's largest shareholder – is raised by the resumption by Iran of an active role in the International Monetary Fund and World Bank.

Mr Masoud Mozayani, the governor of Iran's central bank, said at the weekend that Iran had "resumed its active relation with the two institutions". This was part of "a broader policy to be more open to the international community". In an apparent reference to the possibility of borrowing from the institutions, he said that "as a member, we would like to have access to all our rights."

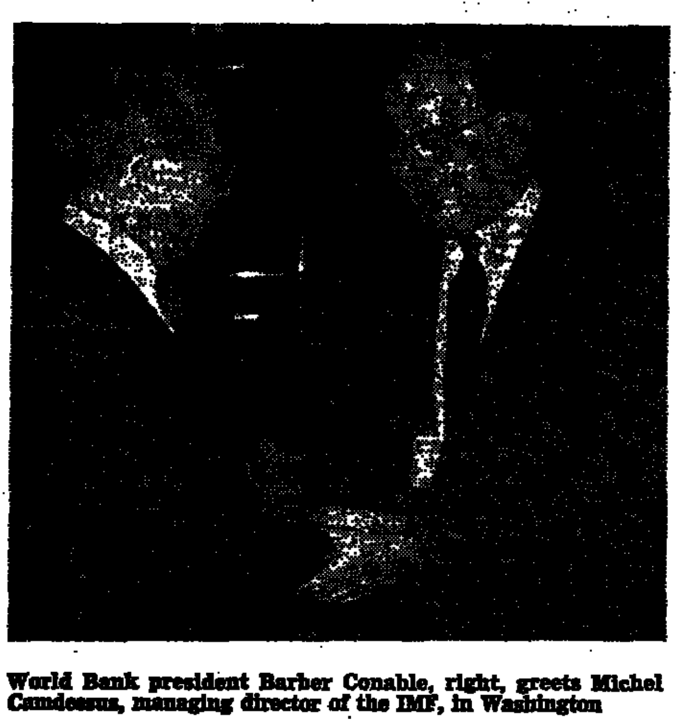
He said no decision had been made to borrow and no specific projects or financial reforms had been identified which might be financed by the World Bank. But his country's economic recovery plan for the five years starting last year called for $17bn (£10.36bn) of external financial resources in the form of foreign investment, project finance and foreign borrowings.

Mr Mozayani was in Washington as chairman of a meeting of the Group of 24 developing countries. Asked whether he expected opposition from industrialised countries to Iranian borrowing, he said this would occur only if the organisations were political. "If they decide on the economic merits, then we don't expect any kind of difficulty."

US opposition to Iranian borrowing could be expected to be strong, particularly while US hostages are still held by Iranian-influenced groups in Lebanon. Such opposition may take some time to erode. Vietnam is still unable to borrow from the institutions despite its economic plight, because of long-standing US opposition.

Even if the political difficulties could be overcome, another more mundane problem remains. Since the start of its war with Iraq, reporting of Iranian economic statistics has been so poor that it is impossible to judge whether it meets the income qualification to borrow from the Bank.

Iran was a founder member of the IMF.



World Bank president Barber Conable, right, greets Michel Camdessus, managing director of the IMF, in Washington

World Bank cuts lending for reforms

By Stephen Fidler

THE WORLD BANK is planning to reduce the share of its lending devoted to encouraging economic reform.

The decision to reduce emphasis on such loans – so-called structural adjustment lending – reflects in part concern that too high a proportion of the banks' assets has been devoted to this type of lending.

It means the Bank is, to some extent, reverting to its more traditional role as a financier of projects in developing countries.

The shift in emphasis follows a periodic review of the Bank's policy towards structural adjustment lending, which has been accepted by its board of governors.

It forecasts that structural adjustment lending will decline to 20 per cent of the Bank's new commitments over the years 1991 to 1993.

However, the current ceiling of 25 per cent used for 1988-90 will remain in place. Despite this ceiling, which has also been the forecast level of lending, bank officials say structural adjustment loans accounted for 30 per cent of new bank commitments last year. This would suggest a lower proportion for the current year.

The Bank first began making such loans in the late 1970s, but the pace of commitments expanded significantly in the 1980s following the onset of the debt crisis in 1982.

However, this has raised concerns that too much of the Bank's resources have been devoted to the highly-indebted middle-income countries which have been the recipients for most of this lending.

Concern expressed over yen

EXCERPTS FROM the communiqué issued yesterday by the finance ministers and central bank governors of the Group of Seven.

The ministers and governors reviewed developments in their economies and in global financial markets since their meeting of April 7. They noted with satisfaction the recent stability in exchange markets and continued growth in industrial countries. However, they agreed that price pressures warrant continued vigilance.

They also noted the yen had stabilised since their meeting in Paris, but remained of the view that the present level may have undesirable consequences for the global adjustment process.

They discussed recent developments towards German economic and monetary union. They agreed that this process would contribute to improved non-inflationary global growth and to a reduction of external imbalances.

(They) expressed their continued strong support for the strengthened debt strategy, and were encouraged by the substantial progress which has been achieved, including the commercial bank accords with six heavily indebted countries. They reaffirmed their support for the case-by-case approach and for the guidelines governing Fund and Bank financial support for debt and debt-service reduction.

They re-emphasised the central importance of sustained debtor reforms and urged a stronger emphasis in Fund and Bank programmes on measures to attract new investment and a return of flight capital as new sources of finance for debtor nations.

(They) also discussed the Ninth General Review of Quotas of the International Monetary Fund. They agreed that a 50 per cent increase in IMF quotas would provide the Fund with the resources to fulfil its central responsibilities to the world economy. They also agreed on the need for strengthening the IMF arrears strategy as an integral part of the quota review.

Warning on diversion of resources to E Europe

By Peter Norman

ECONOMIC policy-makers have been warned that a diversion of financial resources to eastern Europe from the developing world could undermine international peace and security.

Mr Bernard Chidzero, the finance minister of Zimbabwe and chairman of the joint World Bank-International Monetary Fund Development Committee, told a news conference in Washington that there was a danger of resources being siphoned off to eastern Europe.

That would create a "very explosive and dangerous situation" which would sour north-south relations, he said. "A lack of growth in the south will create the conditions likely to undermine international peace and security."

Mr Chidzero urged the world's wealthy countries to make resources available for both eastern Europe and developing nations.

He added that it was important for the poor nations of the south to benefit from trade-and-inward investment. An important theme of the Development Committee meeting tomorrow will be how to engage the private sector more actively in promoting growth in the developing world.

Major sees 'distinct fall' in inflation next year

By Peter Norman

MR JOHN MAJOR, the Chancellor of the Exchequer, yesterday predicted a "distinct fall" in British inflation from the beginning of next year and forecast that there might then be scope for lower interest rates, including mortgage rates.

In his speech to the International Monetary Fund's policy-making Interim Committee, the Chancellor said the process of bringing domestic demand into line with a sustainable path of output in Britain was "now well under way." He added: "Many of the indicators that were symptomatic of boom conditions have now turned around."

Mr Major, attending his first IMF meeting since taking over as Chancellor last October, admitted that "bringing down inflation looks like being a longer and more difficult haul than we originally hoped."

However, he said the underlying inflationary position was exaggerated by one-off factors such as the community charge and the "idiosyncratic" elements in the retail prices index such as the inclusion of mortgage interest payments.

The British retail prices index rose by 8.1 per cent in March and April's figures, due on Friday, are widely expected to show inflation around 10 per cent as the community charge and budget increases in excise duties take effect.

Nicaraguan Contras to lay down arms

By Tim Coone in San José, Costa Rica

VOLUNTARY disarmament of the Contra rebels is due to begin in Nicaragua today after an agreement was reached at the weekend with the new government of President Violeta Barrios de Chamorro.

The 12,000-strong rebel army, created by the US in 1981, should have already begun handing over their weapons to United Nations peacekeeping troops under a pact signed last month by Contra leaders and the Government.

The rebels have grouped themselves into five designated "security zones", but have baulked at handing over their weapons, insisting instead that there should be simultaneous and proportional demobilisation of the Sandinista-controlled armed forces.

Contra leaders continued to insist on this point during almost 14 hours of talks in Costa Rica at the weekend with President Chamorro.

But they finally accepted a face-saving formula which makes their demobilisation voluntary, and will allow disarmed rebels and their families to settle in new "development zones" and to establish a new political party. There are an estimated 50,000 dependants of the rebel troops.

When asked how many of his troops would accept the latest agreement, Commander "Franklyn", the Contra chief of staff, replied: "The majority, I hope." According to UN officials, about 25 per cent of the Contra troops have not entered the "security zones" and appear to be defying the agreements.

Col Ricardo Wheelock, the head of Nicaragua's military intelligence, said "the army is ready to respond" to those groups that do not disarm by the June 10 deadline set out in the agreement.

He admitted that there has been a significant number of desertions of conscripts from combat batallions since the Sandinistas lost the elections in February, but said: "We have a sufficient number of regular army units to deal with the Contras."

Brazil plans to scale back tariffs

By John Barham in São Paulo

BRAZIL intends gradually to reduce import tariffs, which average 40-85 per cent, to 10-20 per cent in three years.

President Fernando Collor de Mello has already lifted rigid administrative controls that virtually barred imports of goods that competed with local manufactures.

Mr Eduardo Modiano, president of BNDES, the government development bank, explained that "those who are able to adjust, reduce costs and prices and compete with imports will survive. Those that are persistently inefficient will disappear," he said.

The car industry is the government's first target. Mr Collor accuses Brazil's three foreign owned volume car manufacturers of abusing their strength to manipulate the market. Mr Modiano said the BNDES would finance a Brazilian company's stake in a joint venture with a foreign car company.

The BNDES says a new factory with capacity to produce 200,000 units a year and to be located in the underdeveloped north-east region would require investment of $800m to $1bn.

Imports will still be limited by Brazil's critical shortage of foreign currency. None the less the government intends to increase the country's capacity to import by halving net service payments to $5bn ayear.

Guerrillas' cave cemetery found in Peruvian Andes

By Sally Bowen in Lima

PEASANT self-defence patrols have come across the remains of up to 250 bodies in a series of caves high in the Peruvian Andes. It is thought to be the first discovery of a cemetery for the Maoist Shining Path guerrillas, who have been operating in Peru for 10 years.

The find, in rugged mountains 16,000ft above sea level near Ayacucho, 200 miles south-east of Lima, was made on April 4 but army patrols reached the spot only last Friday.

There were signs of recent occupation in one of the caves, with remains of food, medicines, guns and explosives. Propaganda was discovered in another nearby cave thought to have served as a Shining Path indoctrination centre.

Many of the skulls showed evidence of short-range bullet wounds. Military authorities concluded that one of the ancient caves, which also contain some pre-Columbian skulls with the deformations characteristic of the Wari culture, was used by the guerrillas as a primitive hospital to attend to those wounded in confrontations with the armed forces.

It is thought that those hopelessly ill were killed and "buried" in the neighbouring cave.

The Shining Path guerrilla movement was launched by university professor Abimael Guzman in Ayacucho, not far from these caves, almost exactly 10 years ago.

The armed struggle has cost 17,000 Peruvian lives since its inception.

Murdoch gains from TV decision in US

MR Rupert Murdoch's Fox Television, which aims to become the fourth US TV network, has won an important federal government waiver of syndication rules, writes Alan Friedman in New York.

The waiver will allow Fox Television to expand its programming at 129 affiliate stations from three to five nights a week without running the risk of triggering a restriction on the sale of re-runs on the syndication market.

US budget talks to consider increase in taxes

By Peter Riddell, US Editor, in Washington

INCREASES in US taxes will be on the table for the first time during the Administration of President George Bush in talks likely to start soon between the White House and Congress on how to reduce the budget deficit.

President Bush has reached a preliminary understanding with congressional leaders on budget talks which will have everything on the table. He met Democratic and Republican leaders at the White House on Sunday evening to discuss the format for discussions.

Mr Marlin Fitzwater, the White House spokesman, said yesterday there would be "no pre-conditions and anyone can bring up an issue for discussion and debate."

There will be no deadline to the talks. This could open the way for higher taxes to be considered as well as cuts in social security and health entitlement programmes and defence.

Mr Fitzwater declined to say whether Mr Bush had changed his view from his often-repeated "no new taxes" pledge.

The Administration is still likely to want to avoid higher income taxes and may prefer an increase in energy or other indirect taxes.

Mr Richard Darman, the budget director, has argued that new revenues must not hamper economic growth, which he has said means user fees rather than increases in income taxes.

Congressional leaders were yesterday consulting colleagues before giving a formal reply to Mr Bush.

However, Mr Tom Foley, the Democratic Speaker of the House, said he would recommend agreement to the talks.

Democratic leaders have until recently been wary of budget talks with the White House, arguing that a serious deficit reduction package cannot be discussed unless tax increases are on the table.

Even Mr Robert Michel, the Republican House Minority leader, has accepted that he did not know "how you makes these figures match without doing something on revenues," though conservative Republicans will strongly oppose any general tax increase.

Pressures for wide-ranging budget talks have increased both in response to the general rise in interest rates in financial markets and as a result of new figures. These point to the need for larger-scale measures if the deficit is to be reduced to the target level of $64bn in fiscal 1991 starting this October.

Slow economic growth during the winter and higher than expected interest rates mean that the deficit will have to be cut by between $45bn and $55bn to hit the target.

However, the versions proposed by the Administration, passed by the full House and suggested by the Senate Budget Committee fall short of this figure.

There are also disputes between the Administration and Congress over the scale of cuts in defence spending and in social programmes as well as over the proposed reduction in capital gains tax.

Last year a small-scale budget agreement broke apart in acrimony in the late summer and across-the-board spending cuts known as sequestration had to be imposed before a package was finally put together in late November.

From a small seed authoritarianism grows

Gary Mead examines another Peronist assault on civil rights in Argentina

Peronism has an ugly history of repressive authoritarianism, from which Argentina's international reputation and domestic stability has suffered since General Peron first wrenched power for himself in 1945.

In one small and apparently insignificant act, another Peronist leader, President Carlos Menem, has reminded all Argentines of his party's taste for conducting assaults on civic rights.

In the last week of April thousands of large blue posters plastered the crumbling walls of Buenos Aires. The posters carried the simple slogan "Loyalty to the President, not to the corrupt." Above that, the names of four senior Peronist politicians, written thus: "Eduardo 'Guardopolvo' Bauza; "Roberto 'Cometa' Dromi"; "Jose 'Petroquimica' Manzano"; "Eduardo 'Pan de Azucar' Menem."

Within 72 hours, three people allegedly responsible for printing and orchestrating the poster campaign were in prison, with legal restraints on their possessions equivalent to the value of $20,000 each. Scarcely has the Buenos Aires police force and Argentine justice moved with such alacrity.

The Government is furious at the poster campaign for two reasons. The campaign reveals a strong undercurrent, within Peronism itself, opposed to President Menem's top ministers and advisers. There are suggestions that those arrested for the campaign are not simply connected to that Peronist opposition, but are involved with a fluid group of trades unionists and Peronists in the court of Zulema Yoma de Menem, President Menem's wife.

She has made it very clear, by notorious public statements, that she completely disagrees with her husband's economic austerity programme, and, in passing, his choice of cabinet ministers.

The posters use the nickname device to touch on murky issues which have exploded in the face of the Government and have not received satisfactory explanations.

In the case of Mr Eduardo Bauza, Minister of Health and Social Welfare, there is still no explanation as to why his ministry sanctioned the purchase in February of 1.3m white overcoats "guardopolvos" worn by schoolchildren, at a cost of $7m, three times the then market price.

Mr Bauza is surrounded by allegations of misuse of public funds. The most serious case involved his ministry's distribution in January of tens of thousands of charity coupons "bonos solidarios" to Peronist politicians, who then re-distributed them: on what basis, and to whom, has never been revealed.

President Menem: taking unusual steps

Mr Jose Luis Manzano, who heads the Peronist block in Congress's lower house, was last year accused of involvement in an alleged multi-million dollar fraud at the state-run petro-chemical plant at Bahia Blanca, south of Buenos Aires. President Menem responded to those allegations by announcing an investigative commission. But the commission's members have yet to be named.

As for Mr Eduardo Menem, President Menem's younger brother and leader of the Senate in Congress, the case is even more potentially damaging. In March, the Uruguayan weekly magazine "Brecha" published a report alleging that Mr Eduardo Menem, his wife, and a business partner, had a well-stocked joint US dollar bank account with Banco Pan de Azucar in Uruguay.

Eduardo Menem issued an angry denial, though he took no legal action. The sticking mud in this instance is a result of Argentina's international record as flight capital kingdom of the world; an estimated $7bn left the country in 1989 alone. While foreign bank accounts are not illegal for Argentine citizens, a person of Eduardo Menem's status would feel obliged to deny such an unpatriotic manoeuvre.

By taking the highly unusual step of imprisoning the printer and publishers of the posters which covered Buenos Aires, President Menem has not shown decisiveness, but only abuse of conventional legal practice. There now exists a double jeopardy; the cover-up of corruption, and a criminalisation of what is judicially only, at most, a civil case. Prima facie, there is no libel in a nickname.

President Menem has described the accused as "cowards" who "deserve severe punishment"; Mr Jose Manzano said they "do not deserve to live"; Mr Eduardo Menem added to their alleged crime by accusing them of "a form of terrorism". They are unlikely to receive a fair trial in such circumstances. But the creeping authoritarianism in Argentina's latest Peronist regime has been planted by this small seed.

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OVERSEAS NEWS

Japan's interest wanes in US treasury bonds

By Robert Thomson in Tokyo

JAPANESE financial institutions indicated yesterday that they will be significantly less active than usual at a US Treasury bond auction today, and suggested that the auction could be a turning point for Japanese participation in the market.

In the past, Japanese institutions have routinely taken 30 to 40 per cent of the issues at the quarterly refunding auctions, but investment managers said this week's figure will be much lower, perhaps as low as 10 per cent, because of basic changes in capital flows.

While the Japanese expectation is that the share will be closer to 20 per cent, a slump in Japanese interest is likely to influence exchange rates, and a very low turnout could again prompt reports that Japan's Finance Ministry has advised big institutions to curtail purchases of US bonds in the interests of a stronger yen.

A foreign investment manager at one of Japan's largest life insurance companies said the reports of the Finance Ministry's overtures were "untrue", but Japanese life insurers were "not bullish" about the bonds, because of relatively low US interest rates, concerns about the US budget deficit and exchange rate volatility.

"A coupon rate of 8.8 per cent is not high enough for constructive investment by Japanese companies. Japanese participation rates must be lower this time. Another reason is that Japanese domestic demand for funds is very strong, and so we have plenty of investment opportunities here," the manager said.

Mr Kenji Ueda, chief manager of international investment at Tokio Marine & Fire Insurance, the largest non-life insurer, said his company had been active at past auctions but would not participate this time because "we don't have as much money as in the past".

"Many Japanese financial institutions have less money. Japan's current account surplus is decreasing rapidly and there is a great demand for money in Japan. Many departments at our company want money for domestic investment, though if we had the money, we would like to buy US Treasuries," Mr Ueda said.

Japan's current account surplus fell 30.8 per cent to \$53.5bn (£32.62bn) in the fiscal year to end March, and balance of payments figures published last week for March showed that net Japanese sales of foreign bonds were \$1.75bn after net purchases of \$3.69bn in February. Japanese institutions were apparently big sellers of US bonds in late March and early April, with life insurance companies alone reported to have sold bonds worth \$6bn. A Japanese life insurance company official said the figures were not as big as reported and the sales were generally made for "technical reasons" at the close of the fiscal year.

Ms Kuniko Usui, manager of the bond department at James Capel Pacific, said companies such as Nippon Life, the largest Japanese life insurance company, made clear that an interest rate of at least 9 per cent was needed for the US Treasury bonds to be attractive, but the rate is expected to be below that at the auction.

"The feeling from the market is basically negative. At this auction we would expect the Japanese institutions to take between 10 and 20 per cent," Ms Usui said.

"Japanese companies are now bullish about the yen, and so they are taking a foreign exchange risk with the US Treasury bonds. And Japanese benchmark bonds are trading at around 7.3 per cent, so the spread with the US bond is very narrow."

Another big life insurance company, Dai-ichi Mutual Life, has indicated that it will "take a more careful attitude than usual" at the auction, and a company official said yesterday that yen bonds had come into favour because Japanese interest rates had risen above 7 per cent.

US money, Page 24

Roh seeks to reassure South Korean public

By John Ridding in Seoul

SOUTH KOREA'S President Roh Tae Woo yesterday admitted that his Government was facing a loss of confidence in its policies but promised solutions to an array of social, economic and political difficulties by the end of the year.

"The nation is now at a crucial phase," he said in a live broadcast on national television. "We are now at a crossroads, one branch leading to progress onward and the other leading to chaos."

While President Roh addressed the nation, the headquarters of the ruling Democratic Liberal Party was attacked by a group of about 30 radical students. They threw firebombs and occupied an office before being arrested by riot police.

Mr Roh's speech was an attempt to ease public concern over a number of social and economic issues and to encourage moderation by labour unions during the spring wage round. It was also an attempt to bolster his Government's declining support.

Although the ruling Democratic Liberal Party, which was formed in January by the merger of the old ruling party and two of the three opposition parties, enjoys a two-thirds majority in the National Assembly, Mr Roh admitted that "some aspects of the process of integrating the parties have disappointed the public". He added that "the administration has not been able to gain public confidence in the consistency of its policies."

Confidence in the Government has fallen in recent months as a result of rising inflation, real estate speculation, increasing housing and rental costs, divisions within the new ruling party, and the re-emergence of industrial unrest.

Critics say the Government has shown inadequate leadership and inconsistency in its policies. Several reforms once billed as important to the process of democratisation, such as the abolition of false-name financial transactions and the implementation of a broader financial capital gains tax, have been shelved.

The stock market fell sharply after the outbreak of strikes at the nation's largest shipyard and the state-run television network last month, but has subsequently regained almost half of the 30 per cent decline suffered since its peak in April last year. Yesterday's broadcast prompted a further rally, and the index closed 9.2 points up at 791.56.

President Roh said the economy had "run into trouble" as its competitiveness had been blunted by high wage awards and industrial disruption over the past three years, but he denied that Korea was facing an economic crisis, pointing to forecast GNP growth of 7 per cent this year and a recovery in exports, which last year grew by a meagre 3 per cent.

Roh: promised solutions

He said: "The real problem is that a pervasive sense of anxiety is making the situation more troublesome than it actually is."

To reassure the public, he said he would now "lead the affairs of state with an extraordinary determination" and the administration would set an agenda of priority tasks to be accomplished within the year.

Moscow asks wool exporters for credit

By Kevin Brown in Sydney

THE SOVIET UNION has asked Australian, New Zealand, Argentine and Uruguayan wool producers to extend credit on wool exports, the Australian Wool Exporters Council said yesterday.

Mr Dick Newman, the council's executive director, said Australian producers had received a telex from Novoexport, the Soviet import agency, requesting an extension of credit on wool purchases worth A\$100m (£45.6m).

"They made some nominal payments with the request that the exporters notify the terms and conditions for the balance," he said.

Mr Newman said similar messages had been sent to the other three countries, but none had been given an explanation for the request by Novoexport.

"It would appear Russia has a foreign currency crisis at the moment and it looks as if everything is on hold," he said.

Mr Newman said international wool producers had agreed in Brussels last week that no new contracts would be signed with the Soviet Union until existing debts were paid.

In New Zealand, the Wool Export Council said all exports to the Soviet Union had been frozen because of non-payment of debts of NZ\$52.4m.

Mr Michael Moss, council president, said Novoexport had indicated it was unable to acquire funds from the Soviet banking system.

"It does not look as though the funds are going to become available for quite some time because the temporary monetary problems of the Russian and eastern blocs are not going to be solved overnight," Mr Moss said.

The Soviet problems come at a bad time for the wool industry in Australia and New Zealand, which is suffering from over-production and a fall in world demand. The Soviet Union is the largest market for New Zealand wool exports, and the second largest for Australia, after Japan.

Australian government officials said the Soviet problems appeared to be short-term and unlikely to affect other commodity exports.

Soviet loan deal signed with Kuwait

THE Soviet bank for foreign economic affairs, Vnesheconombank, said yesterday that it had signed a new medium-term loan worth \$300m, agreed with the Kuwait foreign trading, contracting and investment company, writes Quentin Peel in Moscow.

The seven-year loan is only the second major borrowing publicly announced by Vnesheconombank this year, following a DM500m (£181.81m) bond issue in January through the Westdeutsche Landesbank. The only indication of the terms of the latest loan was that it was agreed "on a commercial basis", suggesting that it may well reflect the deterioration in market perception of the Soviet Union as a borrower since several state enterprises started delaying loan repayments earlier this year.

The agreement was signed by Mr Abdullah al-Gabandi, chairman and managing director of the Kuwaiti finance house, and Mr Yuri Moskovsky, chairman of the board of Vnesheconombank.

It is the second major loan by Kuwait to the Soviet Union inrecent years. In 1987, Kuwaiti banks participated in a \$150m (£91.46m) syndicated loan.

Saudi backing for talks on Soviet Jewish exodus

By Tony Walker in Cairo

SAUDI ARABIA lent its weight at the weekend to efforts to convene an emergency Arab summit to discuss the issue of Soviet Jewish immigration to Israel, amid a flurry of diplomatic contacts in the Arab world.

Crown Prince Abdullah visited both Damascus and Baghdad in an effort to reconcile bitter foes, Presidents Hafez al-Assad of Syria and Saddam Hussein of Iraq. The Saudi Prince was expected in Cairo today, hard on the heels of Mr Tariq Aziz, the Iraqi Foreign Minister.

Syria, meanwhile, has proposed that a meeting of Arab foreign ministers be held to prepare for the summit. Mr Farouq al-Shara, Syria's Foreign Minister, said careful preparation was needed to ensure the summit's success.

Saudi Arabia's conspicuous involvement in moves for an emergency summit is significant since the Saudis had hitherto shown little public enthusiasm for such a gathering.

But Saudi Arabia has made it clear that unless the rulers of Syria and Iraq both respond to the call for a special summit, it will not persist in its efforts to bring Arab heads of state together on the immigration issue.

Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, has for weeks been demanding an emergency summit to discuss a perceived threat from the exodus of Soviet Jews to Israel.

About 35,000 Soviet Jewish emigres have arrived in Israel so far this year.

Some estimates put the total number of Soviet Jews likely to settle in Israel over the next 3-5 years at about 1m.

S African leader aims to lessen isolation

By Philip Gawith in Johannesburg

SOUTH AFRICA'S President F.W. de Klerk is due to leave today on a tour of Europe where he will attempt to convince leaders of the good faith of his government's reforms.

The three-week tour, which takes in nine countries, is itself recognition of the reform strides taken by Mr de Klerk since coming to power last September. It follows historic talks in Cape Town last week with the African National Congress.

Not since the time of Jan Smuts, who was prime minister before the Nationalist Party took power in 1948, has a South African head of state embarked upon such a high-profile overseas trip. Mr de Klerk will meet heads of state and government in France, West Germany, Spain, Portugal, Britain, Greece, Switzerland and two other countries to be announced. He will address businessmen and bankers in most countries.

From the Government's point of view the trip will probably be considered a success if it makes the country more acceptable internationally, after years of isolation.

Mr De Klerk will probably try to avoid making the lifting of sanctions a measure of the trip's success. The ANC have, in any event, recently softened its line, with Mr Nelson Mandela, deputy president, saying after the Cape Town talks that they would not seek an intensification of sanctions.

Disinvestment, boycotts and financial sanctions have hurt the country over the past five years and Mr De Klerk will want to raise confidence in the country's future and attract new investment.

Mr De Klerk's tour will also diminish any adverse impact of the protest resignation from the ruling National Party by his predecessor Mr P W Botha over the weekend.

WORLD ECONOMIC INDICATORS

RETAIL PRICES (1985=100)

	Apr.'90	Mar.'90	Feb.'90	Apr.'89	% change over previous year
Japan	107.9	107.1	106.7	105.0	+2.8
Belgium	110.2	109.7	109.4	106.8	+3.2
W Germany	106.5	106.3	106.2	104.1	+2.3

	Mar.'90	Feb.'90	Jan.'90	Mar.'89	% change over previous year
US	119.6	119.0	118.4	113.7	+5.2
UK	128.3	127.1	126.3	118.7	+8.1
France	115.1	114.7	114.4	111.3	+3.4
Netherlands	102.7	102.3	101.9	100.5	+2.2

Source: (except US) Eurostat

Berlin mayors seek quick administrative unification

By Leslie Colitt in East Berlin

MR WALTER MOMPER, the Social Democratic (SPD) Mayor of West Berlin, and Mr Tino Schwierzina, the SPD Mayor-elect of East Berlin, are aiming for the swift administrative unification of the two halves of Berlin following last Sunday's East German local elections.

The SPD gained 34 per cent of the vote for the East Berlin city legislature, compared to 17.7 per cent for the Christian Democrats (CDU), and said it wants to head a coalition. But the CDU polled 34.3 per cent in local balloting throughout East Germany and confirmed its lead established last March 18 in the parliamentary elections. The Democratic Socialist Party (PDS), the successor to the ousted Communist Party, scored a strong 30 per cent in the East Berlin elections – though it is resigned to forming the opposition – while falling to 14.5 per cent countrywide.

"We want to join the two city administrations very quickly," Mr Momper announced at a news conference with Mr Schwierzina in East Berlin's City Hall. The two men said they hoped to eliminate all border and customs controls in and around Berlin even before the July 2 date for German monetary and economic union.

Both expressed their determination to see Berlin again become the capital of a unified Germany, a desire shared by their political rival, Mr Helmut Kohl, the Chancellor.

"A unified Berlin has a legitimate claim to be the capital of a united Germany," Mr Schwierzina said. Mr Momper noted that they wanted to return to Berlin's liberal tradition in the 19th century and the 1920s. The Nazis never gained a majority in Berlin, he said, countering arguments that the city's role during the Nazi occupation of Europe disqualified it as a future capital of Germany.

The US, Britain and France should have a troop presence in West Berlin – albeit a reduced one – after unification as long as Soviet forces were stationed in East Germany, Mr Momper said. A senior western official in West Berlin noted recently that if allied troops remained in West Berlin, the Bonn Government, which currently pays all the costs of the allies in Berlin under the 1945 occupation status, would be expected to pick up half the future costs under a troop stationing agreement with a united Germany.

The West Berlin mayor said he was encouraged by the remarks last weekend of Mr Eduard Shevardnadze, the Soviet Foreign Minister, who indicated that internal unification of Germany could proceed more quickly than its final approval by the four Second World War allies. But Mr Momper said the political unification of Berlin could not run ahead of German unity.

Mr Schwierzina, clad in a drab windcheater next to the elegantly attired Mr Momper, said East Berlin would adopt a new constitution modelled on that of West Berlin. He demanded that the outgoing Communist-dominated city government immediately suspend the granting of rights to Western companies, especially a gambling concern, to use East Berlin real estate.

The local elections underscored the sharp north-south electoral divide in East Germany which gave the CDU a strong position in the local governments of the future southern Länder of Saxony (40.7 per cent) and Thuringia (37.6 per cent) where the SPD scored only 15.6 per cent and 19.1 per cent respectively. In addition to traditionally socialist Berlin, the SPD did best in surrounding Potsdam District with 33 per cent of the vote.

Italian Communists hit in local elections

By John Wyles in Rome

ITALY'S Communist Party (PCI) was last night facing the heaviest loss of support in its history in nationwide local elections.

The polls were also marked by a clamorous success for the regional party in Lombardy and a continuation of the Socialist Party's steady advance.

According to early evening computer projections with around 8 per cent of the vote counted, Christian Democracy (DC) was holding its leading position with a projected 32.8 per cent of the vote, 2.2 points down on the same regional elections five years ago, and marginally lower than in the 1987 general election. This, together with the PSI's advance to 15.5 per cent – the party's best result since 1946 – should assure the national five-party coalition led by Mr Giulio Andreotti of tenure beyond the end of the year.

But the main talking points among political leaders last night were the collapse in the PCI's vote to 22.3 per cent, its lowest level since 1946, and the huge victory of the Lega Lombarda, a relatively new local party in Lombardy which took nearly 20 per cent of votes in the region.

The projected Communist vote is even worse than the minimum judged acceptable in the last few days by the party's leader, Mr Achille Occhetto, and will be seen as a negative first verdict on his move to change the party's name and political programme in the direction of mainstream European socialism.

On last night's trend, the PCI will poll nearly 8 points less than in the regional elections five years ago, and 5.5 and 6.3 points below previous national and European elections.

All of the main parties lost heavily in Lombardy, where the Lega will be the second largest grouping at a regional level. Its formula of greater local autonomy, allied to quasi-racist attacks on southern politicians and their practices, appears to have appealed to many more electors than expected in this wealthy regions.

The DC does not appear to have gained at all from the Communist decline, and the PSI only marginally.

France softens stance on telecoms

By Hugo Dixon

FRANCE HAS significantly liberalised its stance on how international private telecommunications circuits should be regulated. The shift in its position increases the chance of a liberal regime for private circuits being adopted at a meeting of the International Telegraph and Telephone Consultative Committee (CCITT), the Geneva-based telecommunications organisation, this month.

The restrictions on private circuits were originally designed by the international phone cartel as a means of keeping competition out of the market for international calls. They are partly responsible for the current level of international call charges, which the Financial Times revealed last month were on average three times costs.

France has until now been considered the leader of a group trying to block liberalisation. Although the new French position is not as liberal as either the US or UK would want, it narrows the gap between the rival camps.

France still opposes the most important liberalisation, which would allow private companies to make commercial business out of leasing circuits in bulk from the phone companies and reselling capacity on them at a discount to the public.

It believes the prices of international calls are so far above costs that private operators would be able to make easy money by "cream-skimming" the most profitable business without adding any value. The US, though, believes that giving private companies such freedom would put pressure on the phone companies to cut international prices.

France has changed its position in other important respects. It now advocates that users should be able to connect their private circuits to the public network and that private circuits should be charged at cost and on a flat-rate basis.

The change in the French position seems to have been prompted by the recent split between the regulatory and operational functions of the French Ministry of Telecommunications. The EC agreement last December partially to free telecommunications services is also a factor behind the new French stance.

Poles queue for shares

SEVERAL hundred people queued in Warsaw yesterday to subscribe for shares in Universal, a Polish foreign trade company on the first day of the country's most ambitious privatisation to date, Christopher Bobinski writes.

Universal, which will be turned into a joint stock company, trades mainly in consumer durable goods and sports items. Since 1983, it has been a limited liability company owned by the Treasury and state sector enterprises.

Up to 9.8m shares or 65.66 per cent of the Universal issue are to be made available at a price of Zl 20,000 (£1.29) each, while it is intended that up to 4.5m of Universal's shares would be earmarked for foreign investors.

If successful the venture should see the original state sector owners, including the Treasury, left with 34.4 per cent of the capital.

The results of the issue, under which the company aims to raise Zl 196bn, will provide the first concrete indication of whether Poles, or indeed foreign investers, are willing to buy shares as the Government prepares to embark on the sale of several industrial enterprises by the end of the year.

Belgian 'supergun' probe

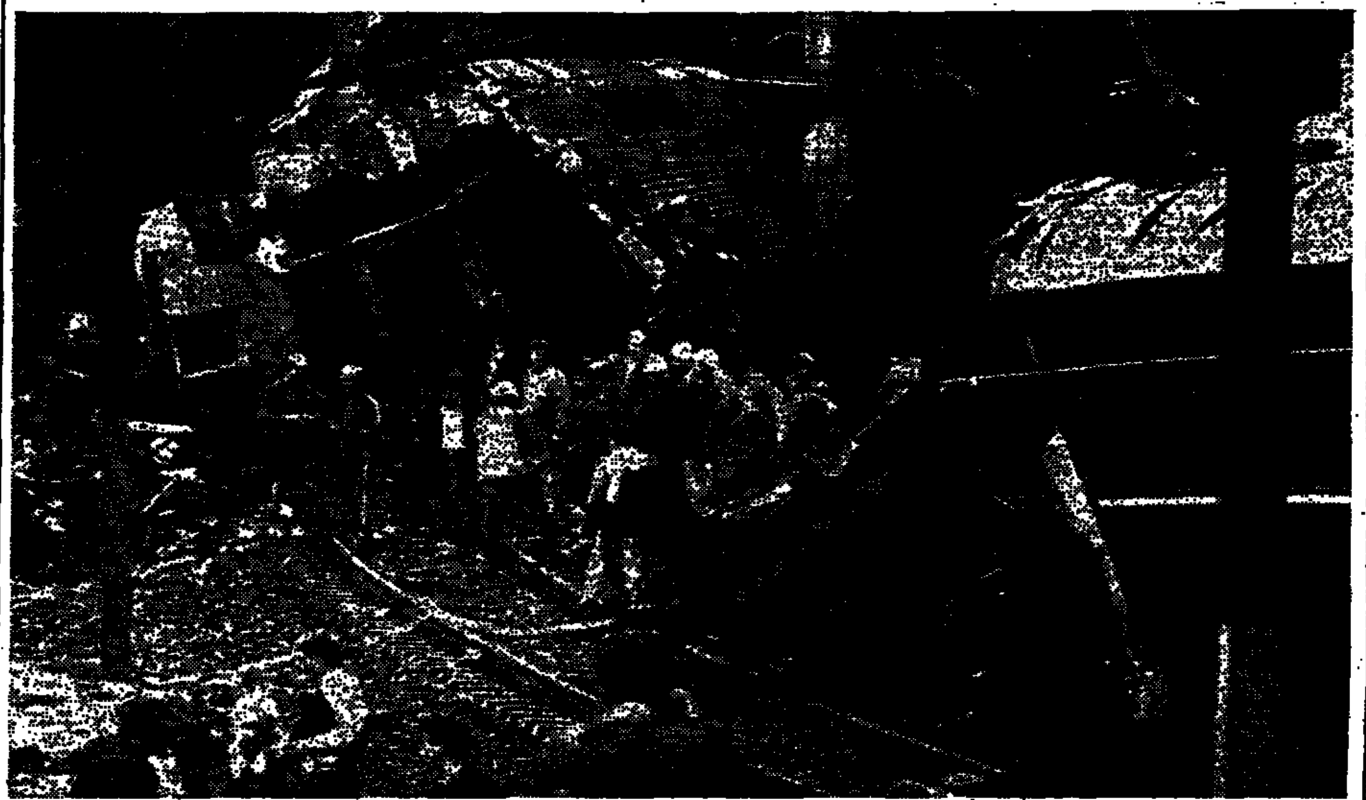
BELGIUM'S public prosecutor is launching an official investigation into links between PRB, the country's second biggest armaments group, and the "Iraqi supergun" affair, Tim Dickson writes from Brussels.

The weekend development was overshadowed in Brussels yesterday by PRB's separate financial problems and the death of a young woman during a demonstration by members of its 1,300-strong workforce.

Reports suggest that a policeman panicked and opened fire as a lorry tried to force its way through the crowd, injuring another bystander.

Efforts were continuing last night to try to stave off bankruptcy at PRB, which has been the subject of an acrimonious dispute over profit forecasts between Astra Holdings of the UK, which bought the Belgian company last September, and its former owner Société Générale de Belgique.

Mr Willy Claes, the Belgian Economics Minister, told representatives of the workforce yesterday that he would do his best to encourage SGB and PRB's main banker, Générale de Banque, to come up with a rescue plan by Thursday.



Six people died and more than 100 were injured in this collision between an inter-city commuter train (left) and a tourist steam train north of Sydney on Sunday night.

Threatened Soviet oil strike averted

THE BIGGEST industrial challenge to President Mikhail Gorbachev since last summer's coal strike has been averted, at least temporarily, John Parker writes from Moscow.

Oil workers in Tyumen, the region that accounts for 60 per cent of Soviet oil output, have agreed to lift their threatened strike and set up a commission to negotiate with the Government on their demands.

At an acrimonious three-day conference between Tyumen workers and the Oil and Gas Ministry, the oil workers complained that nothing had come of government proposals to restructure the oil industry.

Up to 700,000 oil workers had threatened to strike at the end of March, demanding an increase in supplies of consumer goods and industrial equipment to the area. At the conference, they complained that only 60-70 per cent of necessary equipment was arriving, partly because of continuing unrest in Azerbaijan, the centre of the Soviet oil-supply industry.

They also demanded an increase in the bonus payments made to workers in the oil fields and a cut in the price of construction equipment to pre-1986 levels.

A recent report in Pravda said that tens of thousands of workers in Tyumen lived in huts mounted on sledges and other temporary accommodation.

Russian Social Democrats set up shop

THE BIGGEST STEP yet taken towards the creation of a serious social democratic opposition to the ruling Soviet Communist Party was taken at the weekend with the establishment of the Social Democratic Party of Russia, John Parker writes.

The founding congress, held in Moscow, was attended by 209 delegates from social democratic organisations across the country. But it still appears to have failed to unite all the possible strands in the movement.

The new party had hoped to unite the widespread but ill-organised social democratic party of the opposition to President Mikhail Gorbachev.

Its ambitions, however, were marred by a wrangle at its founding conference between social democrats from Leningrad and from Moscow over the powers of the central organisation. A group of Leningrad members walked out of the conference saying the party was too centralised.

The party will be led by Mr Alexander Obolensky, who ran against Mr Gorbachev for the presidency in March 1989, before the recent extension of presidential power.

But it failed to attract two more senior politicians many had hoped would join, Mr Yuri Afanasiev and Mr Nikolai Trakfin. Next Friday, they are expected to announce a new party of their own, called the People's Party.

Brussels plan for shareholders' rights

By Tim Dickson in Brussels

FAR-REACHING plans to limit "poison pill" takeover defences and assert the rights of individual shareholders will be endorsed by the European Commission in Brussels tomorrow.

The initiative – spearheaded by EC Internal Market Commissioner Mr Martin Bangemann and supported by the UK – is designed to facilitate cross-border bids and so help European companies achieve the size and strength to compete successfully with their American and Japanese rivals.

Mr Bangemann's strategy – to be presented in the form of a "communication" at next week's meeting of the EC Internal Market Council – is bound to expose the deeply different national attitudes to hostile takeovers within the Community and set off a fierce debate.

Britain, for example, is particularly keen to remove takeover barriers and was instrumental in forcing the Commission to address the issue during last year's negotiations on an EC merger control regulation. West Germany and the Netherlands, on the other hand, are prominent in the "conservative" camp and are expected to fight hard to maintain at least some of their companies' traditional defences.

Mr Bangemann's blueprint does not suggest a separate new directive as such, rather a series of amendments to existing and draft EC legislation. There are essentially three prongs to his proposed attack.

- The draft 13th company law directive would be amended in such a way as to limit the power of directors in a "target" company to buy their own shares.
- The 5th directive on company law – which already contains provisions aimed at limiting the circumstances in which companies can issue large numbers of non-voting shares – would be sharpened.
- The second company law directive would be changed so that limits would be placed on the ability of a subsidiary company to buy shares in its parent as a defensive ploy.

Athens' economic plight under discussion

By David Buchan in Brussels

A SENIOR EC Commissioner flies to Athens today to help Greece out of an economic predicament that could undermine Community moves towards monetary union on the basis of economic convergence among the Twelve.

Mr Henning Christophersen, the commissioner responsible for macro-economic affairs, will be briefed by the new centre-right Government of Prime Minister Constantine Mitsotakis on the measures it has taken, and will take, to reduce an annual 17 per cent inflation rate, a current account deficit of $1.2bn (£730m) in the first two months of this year and a public sector deficit of 22 per cent of gross domestic product.

Mr Jacques Delors, the Commission president, has told the Greek premier that his country's problems should be solved "within the family" of the EC. He wants to avoid any possibility of Greece going to the International Monetary Fund, as some of Greece's EC partners have suggested it should do. Mr Delors recently wrote a stiff letter complaining that Greece had failed to reach performance targets agreed as part of a 1985 balance of payments loan of Ecu 1.75bn provided by the EC.

For Mr Delors, recourse to the IMF would send just the wrong signal when he is trying to persuade the 12 that they can proceed to monetary union on the basis of each country setting, and abiding by, its own budgetary disciplines. If Mr Christophersen fails to persuade Athens to tighten its own belt, then the logic of monetary union may point to central controls on countries' budget deficits.

Though favoured by central bankers, such centralised controls are hotly contested, Mr Delors knows, by the UK and some others.

Brussels' worries are heightened by the fact that Greece last year fell below Portugal to the bottom of the Community wealth-per-head league, and is making poor and slow use so far of the Ecus 7bn (£5.2bn) in structural aid promised between 1989 and 1993. To get Community money, Greece has to make matching investments, and Brussels is worried lest Athens prune investment as much as consumption.

Talks resume on US military bases in Greece

GREEK AND US negotiators yesterday resumed talks on a new US bases agreement after a one-year delay caused by the reluctance of successive coalition governments to address sensitive foreign policy issues, Kerin Hope writes from Athens.

Mr Constantine Mitsotakis, the new conservative Prime Minister, would like to wrap up a new accord before he makes an official visit to Washington – the first by a Greek leader in 25 years – perhaps as early as next month.

The US has already announced that two of the four bases in Greece, an air force support facility at Athens airport and a navy communications station at Nea Makri on the east coast of Attica, will be closed under a Pentagon plan for defence cuts worldwide.

The Greek Foreign Ministry say the new agreement is "90 per cent in place" although the negotiators must now work out which operations are to be transferred from Athens and Nea Makri to the two remaining bases, both on the island of Crete.

The duration of the agreement, either five or eight years, is also under discussion.

In the meantime, the conservative Government is preparing to absorb the remaining $500m out of more than $800m (£487m) in US military credits which the former Socialist Government failed to claim over the past three years.

Earlier this year, an all-party coalition government claimed $300m of the outstanding credits, which serve as a form of rent for the bases.

Once agreement is reached on the bases, the Government will come under renewed US pressure to extradite a Palestinian being held in Greece, who is suspected of involvement in the bombing of a Pan American jet over Hawaii in 1982.

Prague seeks formal accord with EC

By David Buchan in Brussels

CZECHOSLOVAKIA WANTS its aspirations to eventual European Community membership enshrined in a formal association accord with Brussels, Mr Marian Calfa, its Premier, said yesterday.

His signature was hardly dry yesterday on Prague's new trade and economic co-operation deal with the EC when the Czechoslovak leader was calling for negotiations to start this autumn on a second-generation association agreement giving his country financial aid and regular political contact with the EC.

Mr Francis Maude, a junior UK foreign office minister, reiterated a suggestion that Prague be rewarded by the EC lifting all specific quotas immediately, rather than in three years, as yesterday's trade accord specifies.

Later today, Bulgaria and East Germany will sign first-stage trade accords with the EC, though East Berlin's new trade arrangements will be overtaken by its impending incorporation into the EC.

EC foreign ministers yesterday told diplomats to step up preparations for the Community to decide on reforming EC political institutions at the Dublin summit in June. In response to particular British anxiety for proper preparations, Mr Gerald Collins, the Irish president of the EC, said he might summon a third ministerial meeting in addition to two already planned.

The desire to appear even-handed between East Germany and the rest of eastern Europe yesterday led to diplomatic contortions by Italy.

It refused to join its EC partners formally in lifting visas for East Germany, unless the same was simultaneously done for Czechoslovakia and Hungary, but said it would come to a separate visa-removal deal with East Berlin tomorrow.

Effectively, therefore, East Germans will soon no longer require even tourist visas to visit the whole EC.

Prospect of no duty-free sales alarms airports and passengers alike

With no cheap drinks after 1992, travellers will have to pay higher fares, **Paul Abrahams** reports. And British airports will be worst hit

ENDING duty- and tax-free sales at airports could become the most unpopular measure the European Commission has ever envisaged. Not only would Jean, John and Giovanni be unable to buy their favourite tipple when they set off on holiday, but they might end up having to pay more for their air tickets as a result.

Commission officials argue that the logic for duty-free sales will disappear after 1992, with the planned removal of internal Community customs barriers. This step has yet to be agreed by EC governments, several of which have strongly resisted Commission proposals for aligning their value-added and excise taxes more closely.

Duty- and tax-free sales by the EC air transport industry are an important source of revenue for both airlines and airports. A report for the International Civil Airports Association by consultants Coopers & Lybrand estimates that duty-free goods worth Ecu1.6bn (£1.19bn) were sold by EC airlines and airports in 1988, Ecu1bn of them to intra-EC passengers.

Airports, which normally receive a share of the turnover of duty-free shops, would be particularly vulnerable to the abolition of intra-community sales. These account for about 15 per cent of income at Schiphol, Amsterdam's airport, while in 1988 Aéroports de Paris received FFr1.29bn (£.13bn) – about 10 per cent of turnover – from duty-free sales. According to a study by the Netherlands Economic Institute of Rotterdam, UK airports are most vulnerable because they have the highest sales of duty-frees, some Ecu359m in 1987-88.

Duty-free sales are also highly profitable. Indeed, fat margins at duty- and tax-free shops have attracted criticism in recent years. Last year Schiphol earned Fl 190m (£9.74m) from concessionaires with a turnover of Fl 414m.

BAA, formerly the British Airports Authority, which earns about £100m a year – about a fifth of its profits – from duty-free sales, estimates that ending intra-Community sales would halve these profits.

The airports argue that profits from duty-free help keep airport charges down. They say any loss in revenue from duty-free would have to be borne by the airlines, through increased airport handling charges which would eventually be passed on to passengers.

The airports would also have to pass on refurbishing costs created by the end of duty-free sales. Intra-EC passengers would have to be separated from those travelling from non-EC destinations if the sales were ended. BAA estimates that at Gatwick airport, domestic and intra-EC passengers account for about 60 per cent of total traffic. Mr Barry Goddard, head of parliamentary affairs at BAA and a director of the Duty-Free Confederation, believes refurbishing would take five years to complete and cost tens of millions of pounds.

However, the airports face a problem in establishing who should pay for the work and loss of revenue. Non-EC airlines will be reluctant to bear the additional costs because they will still be carrying passengers able to buy duty-free. EC carriers will argue that their passengers, who should no longer need to pass through customs and passport controls, will use fewer airport facilities.

The impact on airlines could be substantial. BAA estimates that if revenue lost through the abolition of duty-free sales was spread across all airlines, aircraft handling charges would need to rise by between 16 and 18 per cent. If concentrated among intra-community flights, the increases could be in the order of 35 per cent. On average, airport charges represent about 7.5 per cent of short-haul airlines' costs.

The Coopers study estimates that the cost of tickets on intra-EC scheduled services could increase by between 1.1 per cent and 2.3 per cent, a direct result of increased airport handling fees.

Charter operators would be particularly hard hit. As well as facing increased handling charges, they would lose revenue from duty-frees on their flights. In 1988, charter operators on intra-EC routes sold Ecu230m worth of duty-free goods on flights. Many only made a profit because of these sales.

Coopers maintains that the combined effect of the loss of these sales, rising airport handling charges and increased salary costs – on average, charter airline staff receive commissions on duty-free equivalent to 20 per cent of their salary – would force up the cost of package tours by between 1.5 and 2.3 per cent, and air fares by between 4.2 and 6.6 per cent.

Profits at most big European airlines have already been hammered over the last six months by rising operating and capital investment costs. Increased air traffic control fees, security charges, fuel costs and higher interest rates have all taken their toll, while passenger volume has also grown more slowly than capacity on many European routes.

KLM Royal Dutch Airlines, Alitalia and Air France have all reported sharp falls in profit. Three UK charter companies, British Island Airways, Paramount Airways and Novair, owned by the Rank Organisation, have ceased trading over the last six months. And last week, German Wings, the West German independent airline, filed for bankruptcy with estimated losses of DM50m (£18.2m) after only one year of operations.

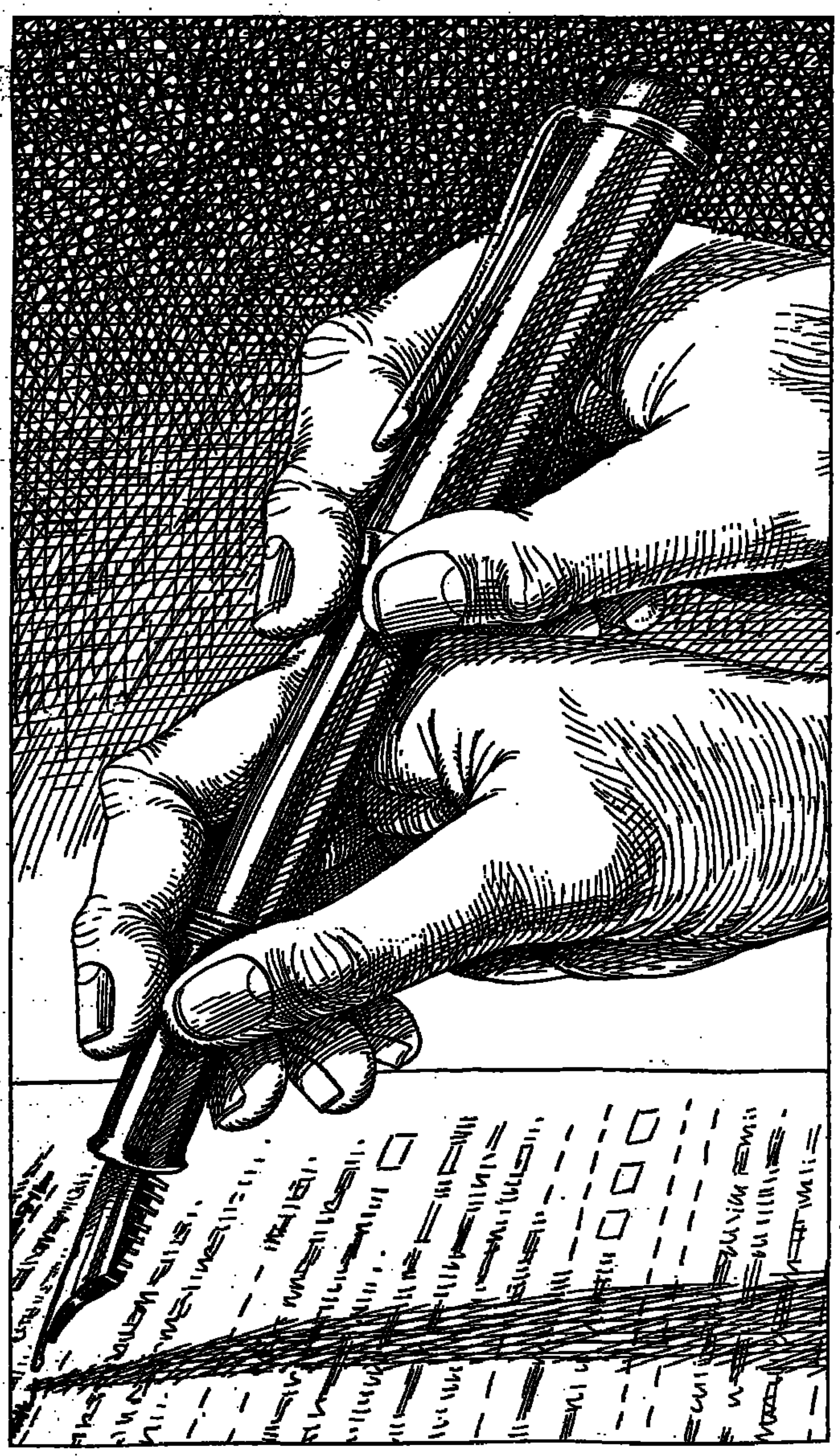
One final economic implication of the abolition of duty-free sales is for makers of goods typically sold at airports and ferry ports. Although tobacco manufacturers expect former duty-free sales to be transferred to the domestic market, the premium alcohol and perfume markets could be severely affected. Perfume and alcohol sales represent respectively about 27 and 25 per cent of all duty-free sales at EC airports.

Aéroports de Paris estimates that some perfume manufacturers make half their sales through duty-free shops and argue that many premium brands would be unaffordable elsewhere. There is concern in the UK that malt whisky sales could also suffer. None the less, harmonisation of VAT and excise duty should lower high-street prices for such luxury products in EC countries which at present charge high rates.

It remains unclear, however, whether duty-free sales will disappear immediately after 1992. Mr Goddard at BAA points to difficulties in establishing common rates for VAT and duties on alcohol throughout the EC. Until such discrepancies disappear, and controls other than for drugs and weapons finally end, he says, there are arguments for continuing duty-free sales for a transitional period.

Others also seem to be betting against rapid change. Eurotunnel, the company which will exploit the channel tunnel when completed, is planning duty-free facilities at its terminals in both the UK and France. The tunnel is scheduled to open in June 1993.

Import and export paperwork. Need a hand?



There's one international language that almost no-one in business can speak.

It regularly appears in foreign trade paperwork. And it's called Double-Dutch.

Take a Letter of Credit application form, for example. While it's almost impossible for the uninitiated to understand, it's imperative to fill it in correctly.

Because it's legally binding.

And a tick in the wrong box can leave your goods stranded on a quay in Qatar. Or a warehouse in Wooloomooloo.

Luckily, Lloyds Bank have people who are experts in translating gobbledegook into plain English.

Once we know your exact wishes, we'll sit down with you and help you complete the paperwork.

This is just one of the services we offer our business customers.

We want your business to run smoothly. It makes our business run smoothly.

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Business opposes EC employee involvement plan

By John Authers

MANY UK companies oppose the European Commission's Social Europe Action Plan on worker participation, a survey for the Confederation of British Industry suggests today. Only 10 per cent think the proposals are of any value.

However, 80 per cent support increased employee involvement, with only 3 per cent completely opposed to the idea.

The CBI questioned 1,395 of its member contacts, and received 442 responses. Mr John Banham, director-general of the CBI, said the results showed a practical and flexible response to the demands of the European single market, and an objection to "dogma from Brussels."

He said: "The CBI has always believed that participation is best achieved by involving employees in the operations of companies on a voluntary basis, rather than by the imposition of inflexible regulations which would effectively put business in a strait-jacket."

The survey also produced evidence of support from business for greater sterling stability. Almost 70 per cent of the companies questioned expected to benefit from a single European currency. Of those, 40 per cent wanted that currency "as soon as possible." Small suppliers are the most likely losers as a result of the switch to the single European market, the survey shows, with around 20 per cent of larger companies planning to reduce their suppliers.

● Most businessmen have lost confidence in the economy over the last six months, according to a survey by the Institute of Directors, published today.

The proportion of pessimists has increased from 56 per cent to 64 per cent since February, with only 15 per cent feeling more optimistic. In spite of their fears for the economy, though, directors are bullish about their own companies' prospects – 52 per cent are more optimistic than they were six months ago, a strong improvement on February's 43 per cent figure.

Business volume and profits are levelling out, having declined steadily over the last year, and most directors expect some increase in employment. Almost 60 per cent of companies plan continued investment over the next two quarters, most at an increased rate.

The survey of 200 IOD members is carried out every two months by Taylor Nelson Research.

Crusader opens war of words in the air

Paul Betts and **Paul Abrahams** look at BMA's campaign for more air slots

MR Michael Bishop, the chairman of British Midland Airways, is on a crusade to ensure his airline's survival as the only UK-flag carrier competing with British Airways on domestic and short-haul European routes out of Heathrow, London's leading airport.

Mr Bishop has intensified his lobbying of Whitehall, Parliament and the media and has taken his campaign to to the European Commission.

Barely eight years after the demise of Laker Airways, Sir Freddie Laker's budget charter airline, Mr Bishop suggested that there was a growing risk of dominant European carriers trying to put smaller airlines out of business. The collapse this week of German Wings, a start-up airline, he says, was an eloquent example of the difficulties facing the smaller independent operators.

"I won't let it happen to us," *Mr Bishop said,* outlining a range of initiatives his airline had taken to try to win a bigger share of air transport, both domestically and in Europe.

Michael Bishop: links between carriers uncompetitive

In London and Brussels, Mr Bishop has vigorously opposed plans by BA and KLM, the Dutch airline, to take 20 per cent each of Sabena World Airlines, of Belgium, and to establish a new European hub based in Brussels. BMA says the deal, under investigation by the EC and the UK's Monopolies and Mergers Commission, would seriously distort competition. Both the EC and the MMC are expected to decide by the end of June.

EC competition officials are concerned by recent partnerships and alliances between large carriers. They fear these will make it difficult for small competitors to enter the market and risk pre-empting the EC's latest efforts to liberalise European air transport, the second stage of which is due to be approved next month.

Mr Bishop argued yesterday that alliances between dominant carriers were clearly uncompetitive, but that investments by large airlines in smaller airlines could help to strengthen the financial and competitive position of these second-tier carriers as long as they remained independent.

Mr Bishop is also opposing the co-operation agreement between Air France and Lufthansa, and the Air France takeover of UTA, the independent French long-distance airline, and Air Inter, the French domestic carrier. He is worried that many European governments, especially France, are fundamentally opposed to the operations of smaller, independent airlines, favouring instead the concept of national carriers. Mr Bishop has also filed a complaint against Aer Lingus.

But BMA's main battlefield is much closer to home. Mr Bishop, whose airline provides BA with most competition on domestic routes out of Heathrow, has complained that his company is finding it increasingly difficult to compete with BA. Mr Bishop has long campaigned for more slots at Heathrow, although BMA has the second-biggest position with 14 per cent of slots compared with BA's 38 per cent.

He said the national carrier was abusing its position on the scheduling committee at Heathrow, which allocates take-off and landing slots. BA provides the committee's secretariat and holds the chairmanship. The committee's mainframe computer also happens to be in the same office as BA's fleet planning office.

BA had used information from the committee's computer system to provide slots to increase the frequency of flights on its London to Glasgow routes, Mr Bishop alleged.

However, BA had also had a fall in its passenger load factors of about 10 per cent to around 60 per cent. That increase in capacity without *sufficient demand, he argued,* represented predatory competition.

BMA had only been able to respond by increasing its frequencies from eight to nine flights because of a shortage of slots. In spite of the increase, BMA's share of the market had fallen to 25 per cent at the same time that its load factors had also declined. He admitted that the airline's Glasgow operations were becoming marginal.

Mr Bishop has now asked for daily access to the slot scheduling computer at Heathrow.

BA vigorously rejected Mr Bishop's tirade for greater competition. The airline said BMA was not seeking competition but protection from competition by substitution of themselves for BA and other UK airlines.

BA yesterday issued a statement denying "predatory behaviour" on the Glasgow service. "We do not control the Heathrow scheduling committee," it said, and added that BMA was "not as badly off for slots at Heathrow as they claim."

The war of words has only just begun.

Port traffic drops for first time in eight years

By Richard Tomkins, Transport Correspondent

FREIGHT traffic through UK ports fell by 2 per cent to 480m tonnes last year – the first fall in annual tonnage since 1981, according to provisional figures from the Department of Transport and the British Ports Federation.

The decline was wholly attributable to a fall in British oil exports, which were 9 per cent lower at 250m tonnes. Other goods handled were 6 per cent up at 230m tonnes.

Domestic traffic was virtually unchanged on the year, but the combination of an 11 per cent fall in exports and a 3 per cent rise in imports left overall foreign traffic down 3 per cent at 302m tonnes.

London remained Britain's busiest port, *handling* 54m tonnes, followed by Sullom Voe with 41m tonnes – mostly crude oil. Next were Tees and Hartlepool (39m tonnes), Grimsby and Immingham (38m tonnes), Milford Haven (33m tonnes) and Southampton (26m tonnes).

Port Statistics Bulletin: Provisional Traffic Statistics 1989. British Ports Federation, Victoria House, Vernon Place, London WC1B 4LL. £12.

Hungary enterprise agency talks to start

By Hazel Duffy

BRITISH executives with business interests in Hungary will hold exploratory talks today in Budapest about setting up a network of bodies akin to enterprise agencies.

The plan is that the agencies would advise people setting up new businesses and wanting to expand existing businesses.

Prince Charles, president of Business in the Community (BiC), the umbrella group for enterprise agencies in the UK, will lead the discussions.

Enterprise agencies were picked by Britain as the peculiarly British means of helping the Hungarians. Britain experienced many of the *difficulties* arising from industrial restructuring in the first half of the 1980s that Hungary is expected to go through.

Redundancies will be one consequence of the reform of the economy, and particularly privatisation. Preliminary studies by BiC and others suggest that there is as yet no strategy for handling mass redundancies humanely.

In Britain, the enterprise agency movement grew out of a mixture of some companies that wanted to help the people they had made redundant and the Government's enthusiasm for entrepreneurship.

Prince Charles: leading the British team in Budapest

BiC says it does not want to set up a replica of the movement in Hungary. The aim is to identify and build up the most needed services, and particularly the training of people to act as business counsellors.

A framework will also be sought to ensure that big foreign companies, and joint ventures, should establish a relationship with small local companies and give them support.

Man charged in Belfast

A MAN was charged in Belfast yesterday in connection with the murder of two army corporals during an IRA funeral in the city more than two years ago.

Mr Bernard McMullan, 22, from New Barnsley Crescent, Belfast, appeared at the city's magistrates court on charges of falsely imprisoning Corporal David Howes and causing him grievous bodily harm. Mr McMullan was remanded in custody until May 18.

Last June two men from west Belfast, Mr Alexander Murphy, 32, and Mr Henry Maguire, 30, were convicted of murdering Cpl Howes and Cpl Derek Wood and were sentenced to a recommended minimum of 25 years in prison.

Their appeals are due to begin at the Court of Appeal in Belfast next week.

UK NEWS

Figures expected to show rise in retail price inflation above government estimates

London fears prices will bolster wage claims

By Andrew Marshall and John Gapper

CITY of London analysts have raised their forecasts of UK inflation, as fears mount that high price increases will become built in to wage rises.

The annual rate of retail price inflation may rise to 8.25 per cent in the fourth quarter of this year, according to the average of 12 City analysts included in the FT's thrice-yearly survey of economic forecasts.

This is a full percentage point above the Treasury's forecast. When a full survey was taken only three weeks ago, the average City forecast was 7.7 percent.

Figures to be released on Friday are expected to reveal that the Retail Price Index rose by 3.3 per cent in April alone, according to a survey of predictions by IDEA, the financial research company.

This monthly figure would be higher than the annual rate of inflation in many European countries.

It incorporates rises in mortgage repayments, the new local community charge, excise duties and public sector charges.

This would indicate an annual rate of inflation of 9.7 per cent, the highest since May 1982.

The highest forecasts for April are over 10 per cent. But analysts fear that April will not be the peak, and that inflation will carry on rising well into the summer.

The deteriorating inflation climate is likely to make settlements coming at the end of the spring wage round more difficult to settle.

Unions at London Underground last week rejected a 9.3 per cent pay offer from management.

The most significant private sector pay talks immediately following Friday's inflation figure, will come the following week when Imperial Chemical Industries responds to a pay claim covering its 25,000 manual workers.

Last year's pay award of 9.6 per cent by ICI was one of the leading figures in the private sector, and provoked criticism from ministers. The ICI talks will be among the first leading up to the autumn wage round.

Meanwhile, the pay research group Incomes Data Services yesterday reported a series of pay awards of more than 10 per cent for staff in sectors ranging from chemicals to building societies and retail distribution.

Pay rises of 10 per cent or above, including merit and performance payments, have been made at building societies including Northern Rock. Retail staff at Safeway have been given awards of between 6 and 25 per cent.

Local election results win respite for the government but debate continues on new local poll tax

Tories play down challenge to Thatcher's leadership

By Alison Smith

A GROWING difference emerged yesterday between ministers and backbench Tory MPs about how much the new local community charge, or poll tax, should be changed in the light of last week's local election results.

Ministers who are conducting a review of the poll tax still say that major surgery is not needed and that the significant lesson is that voters rewarded councils which set low charges.

They point to results such as those in parts of Greater Manchester where the Tories won seats after setting the lowest poll tax in the region.

But the results, which were described by Mr Peter Viggers, Tory MP for Gosport and a former minister, as "diabolical", have confirmed the belief among some Tory MPs that substantial modifications are needed.

Party managers are playing down the likelihood of a challenge to Mrs Margaret Thatcher's leadership this year. Sir Geoffrey Howe, the Deputy Prime Minister, said on BBC radio that the great majority of the Tory Party "are determined that the leadership issue should be set to one side."

However, if Tory MPs are disappointed by the results of the review, due to be announced in July, then the prospect of a challenge could increase.

Before then, the difference between ministers and backbenchers on the poll tax will be highlighted later this week, when Mr Michael Heseltine, the former Tory cabinet minister, outlines his own ideas for improvements.

One minister involved in the review said that it was concentrating on areas of local authority discretion in setting the standard community charge, and on schemes for rebates and reliefs. The priority is to devise a system which ensures that any extra money from central government is passed on to poll tax payers, and is not swallowed up in higher local authority spending.

One way this was done under previous local government finance legislation was through central government spending targets and the "holdback" of a proportion of grant if these were exceeded.

But ministers say such an approach would be "very bureaucratic".

When the Government introduces shortly an additional single-issue poll tax bill to exempt owners of caravans from the standard community charge, ministers can expect to be pressed on wider-ranging changes.

A revolution on board London's buses

By Fiona Thompson, Labour Staff

SEVEN men and one woman will this morning set out on London's famous buses – with the aim of making careers for themselves.

The eight are taking part in a revolutionary scheme launched by London Buses to beat its staffing difficulties with a pre-recruitment training course.

The Industrial Society designed the course and has trained London Buses how to run it.

The thinking behind it is that while the long term unemployed form a big pool of potential recruits for London Buses, past experience has shown that few succeed at the interview stage.

This is not necessarily because they are wrong for the job – rather that they lack the confidence and skills needed during recruitment interviews.

The Industrial Society, believing these skills can be taught, approached London Buses a year ago offering to run a pilot pre-recruitment training course for them. London Buses was keen, 13 long-term unemployed people participated and in March 1989 seven were hired.

"If the people who came on that course had just applied for jobs off the street, none of them would have been accepted," said Mr Phil Gray at the company's development and training services division.

As it is, the seven hired are all still there and doing well. And London Buses' first course begins this today.

The jobs available for those who succeed are as 'midi-bus' drivers, conductors and clerical positions. The only requirements for people wanting to take part on a course are that they are over 18, have been unemployed for six months and, for drivers, that they have a valid licence.

Participants are taught how to fill in application forms and are shown how aptitude tests work. Mock interviews covering the do's and don't's are conducted and everyone spends a day at a bus garage to get an idea of what working conditions are actually like.

A London Buses personnel manager gives a talk explaining what the company is looking for in recruits, emphasising the importance of shift working. Everyone on the course is guaranteed a job interview at the end.

"We think the scheme is a great success," said Mr Gray. "It is very cost effective. It costs £4,000 to train a driver. If you've already spent two weeks training and assessing someone, you pretty much know its going to be a success."

Government staff earn less than EC target, says report

By Michael Smith, Labour Correspondent

NEARLY 16,000 support grade workers in the UK's government administration staff, or 'civil service', earned less than the Council of Europe's decency threshold of £163 a week last year, according to a survey published today.

The Low Pay Unit found that UK support grades, including telephonists, security officers, messengers and cleaners, earn less than those undertaking comparable work in Belgium, Denmark, Germany, Italy, the Netherlands and Spain.

Equivalent workers in France and Greece are paid less still, however.

In another report, the Labour Research Department finds that compulsory competitive tendering of cleaning in the civil service has significantly depressed cleaning wages.

There are now only about 2,700 directly employed cleaners in the civil service compared to a peak of 12,000.

The average pay per hour for a cleaner employed by private companies contracted to clean government buildings was £1.98 compared to the civil service directly employed rate of £2.54.

Few of the workers employed by contract cleaners are in trade unions and there is little opportunity to negotiate better pay and conditions.

The Low Pay Unit report found that on average a support grade civil servant in the UK earns 15 per cent less than their equivalents in Europe and 27 per cent less than the European decency threshold.

The pay in Britain of between £462 and £636 a month compares with the equivalent of between £704 to £862 in Denmark where earnings are the highest in Europe.

Mr Chris Easterling, assistant secretary of the NUCPS civil service union, said low earning should be attacked through legally enforceable minimum wage protection and not through a social security safety net.

Clarke snubs EC plan for drug patents extension

By Peter Marsh

MR Kenneth Clarke, the Health Secretary, has caused concern in Britain's £5bn-a-year pharmaceuticals industry by refusing to support proposals by the European Commission to extend patent lives on new medicines.

Mr Clarke has asked for more evidence from the industry that the proposals would aid long-term profitability without increasing National Health Spending on medicines, now running at some £2bn a year.

The idea of extending patent lives on new drugs is at the centre of efforts by West European medicines companies to strengthen their international position.

The European Commission recently published proposals to add several years to the patent lives of new drugs, which normally have legal protection after marketing only for eight to 10 years before competitors are allowed to sell copies at lower prices.

The proposals, which the Commission hopes will come into force in 1992, require approval from the European Parliament and also from member states. France and Italy have already said they are in favour of the initiative, while West Germany has yet to indicate its position.

Large drugs companies say the patent move, which could double the effective time of legal protection for many new drugs, is essential to reduce the effects of long development times in the industry.

Kenneth Clarke: "agnostic" on patents issue

Many new medicines take 10-12 years to develop, eating into the overall patent life of a new product of 20 years. Much of the time is taken up with providing data to prove to regulatory authorities that the drugs are safe.

Without the patent move, according to the European drug industry, it will lose out internationally to companies in the US and Japan, both of which have introduced extensions to pharmaceutical patents.

Mr Clarke has told the Association of the British Pharmaceutical Industry that he wants more time to decide on the commission's proposal. He said he was "agnostic" on the patents issue, although full of praise for the commercial record of the UK drugs industry, which last year had a balance-of-payments surplus of nearly £1bn.

Mission to open Asian markets to Scotch

By Philip Rawstorne

SOUTH KOREA and Taiwan will be pressed in talks this week to open their markets to exports of Scotch whisky. The UK industry says both countries have imposed "exorbitant and discriminatory" taxes on Scotch.

Mr Tony Greener, managing director of United Distillers, the Guinness spirits division, will put the industry's case for removal of tax barriers to the South Korean Government. He will be in a UK trade delegation led by Mr Nicholas Ridley, Trade and Industry Secretary.

South Korea imposes a 200 per cent liquor tax and a 50 per cent import duty on Scotch, making it far more heavily taxed than other imported or local spirits.

Mr Bill Bewsher, director-general of the Scotch Whisky Association, is in Taiwan for similar talks with the Government there on reducing tax discrimination and distribution and sales controls.

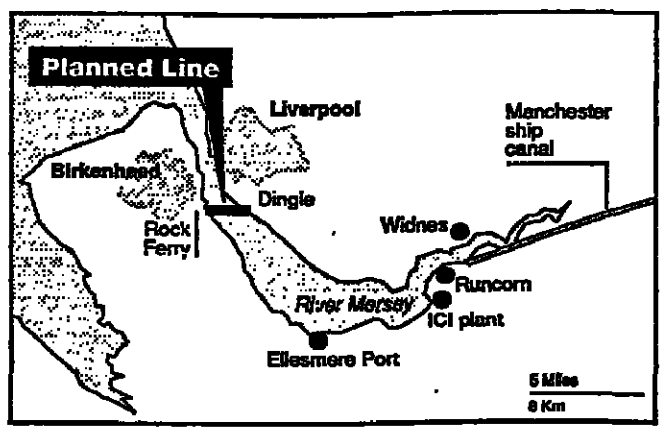
Exports of Scotch to Taiwan last year were valued at £6.6m. Industry estimates suggest they could double within three years if the import barriers were removed.

Barrage of opposition on Mersey

Ian Hamilton Fazey looks at objections to an £800m power project

THE first serious opposition is emerging to the proposed £800m electricity-generating barrage across the River Mersey. The shipping industry believes that thousands of jobs would be jeopardised if the scheme goes ahead.

It maintains that the barrage would hamper the passage of ships between the Mersey and the Manchester Ship Canal, that Liverpool's Garston docks could not survive the disruption caused during construction, and that there would be an increased risk of ships carrying dangerous cargoes being stranded on sandbanks.



The industry believes there are also implications for the chemicals and oil complexes that crowd the south bank of the Mersey between Birkenhead and Runcorn and rely on the ship canal. It says the passage of cargoes would be affected, threatening the viability of billions of pounds of investment by companies such as Shell at Stanlow and ICI at Runcorn Heath.

The fears have emerged in a study by the Ship Canal Users' Association (Scusa) of the commercial and navigational obstacles the barrage would pose during its four-year construction. The report has gone to Mr John Wakeham, the Energy Secretary.

The Mersey Barrage Company – backed by a consortium of 23 financial, engineering, building and local private-sector organisations – has applied to Mr Wakeham to be registered as a non-fossil-fuel source of electricity for the privatised supply industry.

A place on the register would create a market for the barrage's output of power, giving MBC leverage in raising investment – planned to be 25 per cent equity, with the rest in loans from institutions led by the European Investment Bank.

MBC said six months ago that it hoped for a parliamentary bill in 1992, with construction starting a year later. Scusa believes potential investors will hold back if they know there will be strong opposition and probably a long public inquiry.

Mr Michael Armitt, chairman of Scusa's Mersey Barrage sub-committee, is confident that the oil and chemical industries will join the opposition, lining up against the civil engineering and construction industries.

Some of the original backers of MBC, which developed its plans without consulting Scusa, are likely in the end to come out against the project. Mr Armitt says they subscribed to the original studies to get information. One such "backer" has already brought in its own siltation experts to prepare a secret report that may challenge earlier forecasts that the Mersey would not silt up. The MBC claims there are no technical or other reasons to prevent the barrage going ahead.

The line would be between the site of Liverpool's 1984 international garden festival and Rock Ferry, south of Birkenhead – upstream of the Port of Liverpool and the Tranmere oil jetty.

Scusa's report concentrates on the intricacies of alternately fighting and using the Mersey's 10-metre tidal range to get in and out of the ship canal and Garston docks through a system of locks.

Windows of time for doing that are already down to three or four hours per tidal cycle. The MBC claims these would be eventually extended because the barrage would impound a lake of at least half-tide depth upstream.

Scusa says that the windows would be halved during the construction phase. Shipping movements – 6,000 a year and increasing – would be affected and trade damaged.

Safety would also be at risk because there would be little margin for delay in negotiating the two sets of locks. Scusa says that could lead to ships being trapped in the estuary at low tide.Many ships carry dangerous or potentially pollutant chemicals and there would be disastrous consequences if any went aground.

ICI looks into find of dumped explosive

By Peter Marsh

IMPERIAL Chemical Industries, Britain's biggest manufacturer, is investigating the discovery by fishermen of nearly 20kg of dumped explosive chemicals in the Clyde estuary in Scotland.

ICI said yesterday it was satisfied that the material was made by the company's explosives factory at Ardeer, near Glasgow and was willing to talk to fishermen's leaders.

Until last July, ICI dumped in the Clyde up to 250 tonnes a year of production waste from Ardeer together with unrequired explosives from customers. It stopped the practice on environmental grounds.

ICI said the dumping took place in a defined area roughly 15 km from the mainland. It did not know whether the fishermen had found the material in the dumping area or in other parts of the Clyde.

ICI, one of the world's top two makers of explosives, has in recent months been fined £350,000 in two separate court prosecutions concerning lax procedures in other parts of its explosives operations. The prosecutions concerned two incidents in 1988 and 1989 that led to three deaths.

Rodime moves disk drive production to Singapore

By James Buxton, Scottish Correspondent

RODIME, the Scottish disk-drive maker that was the subject of a large-scale financial rescue last year, is to transfer more of its production from its plant at Glenrothes, Fife, to Singapore and reduce staff at Glenrothes.

It intends to automate production at the Scottish plant by the end of 1992.

Rodime already manufactures disk drives in large volumes in Singapore, and the manufacture of its high-capacity 200-megabit 3½-in disk drives for all markets except Europe is to move from Glenrothes to Singapore.

The company said the move was to cut costs and that manufacturing costs at Glenrothes were "astronomical." The Fife plant will continue as an engineering, design, marketing and repair centre, and as corporate headquarters.

Staff numbers at Glenrothes are expected to fall by 38 to 307, with some production workers moving to an expanded repair operation. Rodime is also negotiating to sell its printed-circuit board assembling at Glenrothes, which will cut staff by a further 78.

Mr Peter Bailey, managing director, said: "The way to make a European disk-drive manufacturing capability truly competitive on a worldwide basis is through automation. This will allow us to operate more efficiently in the highly competitive European marketplace of the future."

Once automation is complete, production at Glenrothes will increase. The company said very few of its disk-drive competitors were automated. It could not say how much the investment in automation would cost.

Eurofighter radar deal is imminent

By David White, Defence Correspondent

A LONG-AWAITED contract for the European Fighter Aircraft's radar system, potentially worth more than £1bn, is expected to be signed this week by a consortium led by *Ferranti Defence Systems, the* Edinburgh-based unit recently taken over by the General Electric Company.

The deal to be concluded is solely for development work, worth some £300m, of which the UK share will be about one third.

A two-year political deadlock over the choice of radar between Britain and West Germany, the two leading partners in the four-nation EFA project, was broken in January, but the signature was held up by wrangles over indemnity terms should the radar fail to meet its targets.

The other members of the consortium are Telefunken System Technik of West Germany, FIAR of Italy and Inisel of Spain.

NEWS IN BRIEF

Welsh house prices up by 36% in 1989

THE COST of housing in Wales rose by 36 per cent last year, according to figures from the Building Societies Association, writes Anthony Moreton. The rise was faster than in any other part of Britain.

The 1989 increase followed a jump of 21 per cent in 1988. Average prices last year were £84,227 for a detached house and £32,449 for a terraced property. However, housing in Wales is still cheaper than the national average.

BHS cuts expected

REDUNDANCIES among some management-level staff are expected at BHS, formerly British Home Stores, part of the Storehouse retail group, writes Maggie Urry. The cuts, which could exceed 100 people, are expected as the result of an "activity value analysis" project.

Smoke alarm appeal

HUNDREDS of people die needlessly each year in house fires because the Government is refusing to make smoke alarms mandatory in every home, the National Housing and Town Planning Council says today.

It urges ministers to follow the example of the US, where house fire deaths almost halved after laws led to the widespread installation of alarms.

Poll tax waiver

BOOTHFERRY Borough Council has agreed not to make a widow pay a £1.72 poll tax bill sent to her husband who died the day after the charge was introduced.

Mr Charlie Hailstone, 79, a former professional footballer, died at his flat in Kirkby Close, Goole, Humberside, on April 2 but his widow Mary, 78, was sent the bill for the community charge for him for two days in April.

Corby theme park plan in doubt

By David Churchill, Leisure Industries Correspondent

THE FUTURE of the £1bn WonderWorld theme park planned for a 1,000-acre site at Corby in Northamptonshire is still in doubt after the decision of Corby District Council to withdraw suppport from the project.

The council had given WonderWorld a deadline of the beginning of this month to start work on the Disney-style theme park, to be built on the site of a former steelworks.

It was concerned that the developers had not started construction on a project announced a decade ago. The developers have had several difficulties in raising finance but a year ago announced that cash had been raised and work would start immediately.

However, work has not yet begun, as the builders have not received the money from their backers because they have not yet raised the equity portion of the launch capital.

Mr Kelvin Glendenning, leader of the Labour-controlled council, says the decision to withdraw support was difficult. "WonderWorld has enjoyed a special relationship with the council but this can no longer be justified," he says. "We have a responsibility for the whole of Corby district and we cannot ignore the fact that our community is very concerned."

The council's decision will have no immediate effect on the site, since outline planning permission has already been granted, but it might cause difficulties at the detailed planning stage.

WonderWorld says it has raised £125m debt financing but has been unable to place all the equity needed to complete the project's launch capital.

It is understood that the company is currently in talks with potential investors.

WonderWorld said that an announcement about the funds was imminent but could not say when work on the site would start.

WonderWorld's troubles represent the latest blow to the UK's leisure industry, which has lost the confidence of the City in recent weeks after poor results from several operators, including Mecca Leisure.

The proposed Battersea theme park, which was originally to have opened later this month, is still derelict.

However, plans for a £2bn film studios and theme park complex at Rainham in Essex are still being considered by MCA, the US entertainments group, and a consortium of British building companies.

Vauxhall and Rover are looking to the Calibra (left) and the Metro to strengthen their fortunes against Ford

Market leader Ford checks slide in share

By Kevin Done, Motor Industry Correspondent

FORD, the UK car market leader, halted the erosion in its market share in April, but its performance in the first four months of the year has been considerably weaker than those of its chief rivals, Vauxhall and Rover.

According to figures released by the Society of Motor Manufacturers and Traders, Ford captured 25.8 per cent of the UK new car market in April, compared with 24.9 per cent a year ago.

In the first four months, its share has tumbled to only 24.4 per cent, however, compared with 27.1 per cent in the corresponding period last year. By contrast, both Vauxhall, the UK subsidiary of General Motors of the US, and Rover, which is a subsidiary of British Aerospace, have increased their shares of a falling market.

Vauxhall, which forecast recently that it would gain a record 17 per cent of the UK new car market this year, helped by the launch this summer of its Calibra coupé, increased its share in the first four months to 16.6 per cent from 15.1 per cent a year ago.

Rover has finally halted its long years of retrenchment in the UK car market, helped by the success of its recently launched 200/400 series and by the Land Rover Discovery.

It has raised its share of UK new car sales in the first four months to 14.2 per cent from 13.6 per cent a year ago. Its fortunes should receive a further boost by the launch earlier this month of a substantially modernised Metro range – its best-selling car – which has been re-engineered with an investment of £200m.

Nissan, of Japan, which was also one of the main losers in the UK new car market in the first quarter, regained ground in April thanks to heavy marketing promotion, capturing 7.2 per cent compared with 6.5 per cent a year ago. In the first four months its share fell to 5 per cent from 5.9 per cent.

Overall, UK new car sales fell by 12.7 per cent in April to 167,000, while new car registrations in the first four months fell by 8.9 per cent to 749,000.

UK CAR REGISTRATIONS

	April				Year to date			
	1990	%	1989	%	1990	%	1989	%
Total market	166,913	100.08	191,276	100.00	749,459	100.00	822,478	100.60
UK produced	70,724	42.37	81,495	42.61	317,968	42.43	363,101	44.15
Imports	96,189	57.63	109,781	57.39	431,491	57.57	459,377	55.85
Ford	43,126	25.84	47,673	24.92	183,176	24.44	222,455	27.05
Vauxhall/Opel	25,221	15.11	29,238	15.29	124,302	16.59	123,782	15.05
Rover	22,688	13.59	25,228	13.19	106,483	14.21	111,889	13.60
Peugeot/Citroen	15,145	9.08	15,926	8.32	69,667	9.29	75,264	9.15
Audi/VW/Seat	9,843	5.90	11,481	6.00	49,986	6.67	51,644	6.28
Nissan	11,996	7.19	12,458	6.51	37,412	4.99	48,705	5.92
Renault	5,290	3.17	9,707	5.07	28,743	3.84	31,834	3.87
Volvo	5,218	3.13	6,843	3.58	26,519	3.54	29,075	3.54
Fiat/Alfa/Lancia	4,760	2.85	5,582	2.92	22,325	2.97	27,068	3.29

Source: Society of Motor Manufacturers and Traders

Dual-code London faces wrong number test

By Alice Rawsthorn

BRITISH TELECOM is bracing itself for a flood of misdialled telephone calls today as London returns to work after the bank holiday weekend and its new system of 071 and 081 phone numbers is put to the test.

So far the system's introduction has been relatively smooth. The codes were introduced at midnight on Saturday and on Sunday and Monday only about 4 per cent of callers forgot to use them.

The Princess of Wales dealt a blow to BT's publicity machine by admitting on television that she did not know her new number. But BT said that fewer than 2,000 people called its helpline on Sunday.

BT introduced the new system on a bank holiday weekend when the number of calls is unusually low. The system will be properly tested only this morning.

The service carries about 20m calls within London on an ordinary weekday. Another 20m calls come into the city from outside. BT has installed a recorded message to tell those who forgot to use the new numbers to redial with 071 or 081. The message can intercept up to 50,000 calls a minute, or nearly one in every three calls.

BT announced the new system in April last year. It has studied similar changeovers in other cities – including New York, Chicago, Los Angeles and Zurich – and has spent £10m on advertising.

The chief cause for concern is that people may have forgotten to reprogramme fax machines and automatic dialling devices such as burglar alarms. Given that calls to fax machines cannot be intercepted by recorded messages, there is a risk of people misdialling repeatedly.

BT said only three quarters of London businesses had reprogrammed their equipment by Friday evening. To reduce the risk of overloading the recorded message system, it is allowing about half of all London callers to dial within the city without using the new numbers – up to the end of the week.

Midlands councils seek state cash to electrify rail lines

By Richard Tomkins, Transport Correspondent

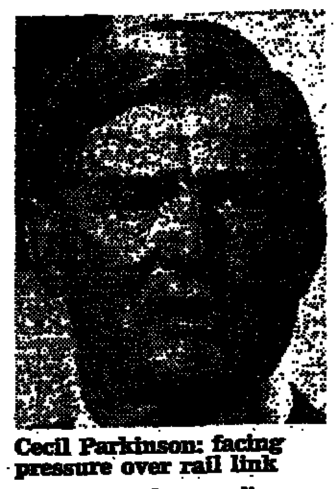
LOCAL authorities in the East Midlands have joined forces to campaign for the electrification of the rail line linking London St Pancras with Leicester, Nottingham, Derby and Sheffield.

They have formed the Midland Main Line Consortium to press for a £150m government investment in the line to speed up services, make them more reliable and enable the region to have direct rail services to continental Europe when the Channel tunnel opens in 1993.

The consortium is to put its case to Mr Cecil Parkinson, Transport Secretary, in July after meeting other regional bodies and British Rail.

The line is electrified only from St Pancras to Bedford. Services to the East Midlands and Sheffield are operated by InterCity 125 diesel trains.

The county councils of Derbyshire, Leicestershire, Nottinghamshire and Northamptonshire, with Sheffield City Council, call for spending of £95m on electrification of the Bedford-to-Sheffield section, £48m on new rolling stock and £5.5m on track improvements.



Cecil Parkinson: facing pressure over rail link

They say the spending can be justified in commercial terms, meeting the Government's requirement that railway projects should deliver an 8 per cent return on capital.

BR said the Midland line was an important part of the intercity network but it could not at present make a strong case for its electrification.

The formation of the consortium reflects the concern of Britain's regions that they are in danger of missing the communications benefits that the opening of the Channel tunnel could bring. BR is planning 15 trains a day in each direction between London and Paris and another 15 a day in each direction between London and Brussels, but few daytime return trains are planned for the rest of Britain.

On the West Coast main line, one train from Manchester will join one from Wolverhampton at Rugby to form one return train a day to Paris, and a similar arrangement will give the two cities one return train a day to Brussels. On the East Coast main line, one train from Edinburgh will join one from Leeds at Peterborough to provide a daily return train to Paris, and there will be a similar daily return train to Brussels.

The consortium fears that the Midland line will stand no chance of being incorporated into the emergent European rail network until it is modernised.

FT SATELLITE MONITOR

Market seen as open to influence

By Raymond Snoddy

THE LATEST FT Satellite Monitor suggests that of those interested in installing satellite television equipment, about a third favour BSB; a third the Astra system, which broadcasts Sky; and the last third are undecided.

Those who said they wanted BSB channels totalled 34.6 per cent, compared with 31.5 per cent for Sky with 33.9 per cent making up the balance.

Mr John Clemens, chairman of Continental Research, which carried out interviews with more than 5,000 adults for the FT Monitor, warns, however, that there is no big backlog of undecided homes committed to BSB as opposed to Sky/Astra.

Mr Clemens said: "The market is still open to persuasion by whichever system provides the best (or perceived best) alternative in terms of programming, reception, in-home equipment and value for money."

Satellite TV continued to make solid progress in April, with an estimated 54,000 Astra installations during the month after an apparent dip to only 10,000 new installations in March. Because the results of the 5,000-strong sample are grossed up to represent the 21m homes with television in Britain, the margin of error is plus or minus 40,000.

According to the Monitor, 196,000 dishes were installed in the first four months of this year. That brings the total number of dishes installed to just under 700,000, with about another 600,000 households watching at least some of the channels on cable TV networks.

From next month the FT Monitor will try to include an estimate for BSB, a consortium in which Pearson, publishers of the Financial Times, has a significant stake. The BSB launch has been marred by a shortage of receiving equipment and until BSB has achieved more than 75,000 installations it is unlikely that reliable sample estimates can be obtained.

Sky's achievement in pushing the total number of dishes up to 693,000 in 15 months is considerable. However, the last three months have also been marked by a decline in those saying they will definitely or probably install satellite receivers.

In December 660,000 homes said they would definitely get satellite TV, while 3m households said they would probably instal it. In April the number of people saying they would definitely get satellite television was down to 501,000, with 2.2m saying they probably would. That represents a drop of around 1m in the size of the potential market with only 5 to 6 per cent of British homes either having, or saying they intend to have, satellite TV.

FT LAW REPORTS

Dismissed director cannot claim damages for lost share option

MICKLEFIELD v S. A. C. TECHNOLOGY LTD
Chancery Division (Bristol): Mr J W Mowbray QC sitting as a deputy High Court judge: March 21 1990

AN EMPLOYEE who is wrongfully dismissed shortly before becoming entitled, under his contract of employment, to exercise an option to subscribe for shares in the employer's parent company, cannot sue for damages for loss of the option if the scheme under which it was granted expressly stated it should lapse if employment ceased, and expressly exempted the employer from that part of its liability for wrongful dismissal which related to loss of option rights.

Mr W J Mowbray QC, sitting as a deputy High court judge so held on a preliminary issue in an action by dismissed director, Mr Neil Anthony Micklefield, against his previous employer, SAC Technology Ltd. The issue was whether Mr Micklefield would be entitled to damages for loss of a share option which lapsed on his dismissal.

It was assumed for the purposes of the preliminary issue only that Mr Micklefield had been wrongfully dismissed in breach of contract.

HIS LORDSHIP said that Mr Micklefield was employed by SAC Technology, and obtained an option to subscribe for shares in its parent company.

The service agreement provided that he should serve as a director until the agreement was determined by either party giving six months' notice. The share option scheme was run by the parent company for employees in the group.

It provided that the board might "in its absolute discretion" invite executives to apply for options at the subscription price, and that the option granted should be exercisable only after the third anniversary of the date of grant.

Clause 4.3B of the scheme read:"If an option holder ceases to be employed within the group for any reason whatsoever then the option granted to him shall . . lapse and not be exercisable."

Pargraph 9, headed "loss of office", provided that "by applying for an option an executive shall be deemed irrevocably to have waived any entitlement by way of compensation for loss of office or . . . to any sum or other benefit to compensate him for the loss of any rights under the scheme".

On February 19 1985 Mr Micklefield was granted an option to subscribe for 6,500 A shares at 25 pence at £2.50 per share. On February 3 1988 he wrote to the directors stating that he wished to exercise his option on February 19, the third anniversary of the grant of the option.

On February 11 there was a meeting at the offices of the chairman and managing director. On February 12 he wrote to Mr Micklefield to confirm that his employment had been terminated at that meeting, with six months' pay in lieu of notice.

The parent company wrote to Mr Micklefield on February 29 after the third anniversary of grant of the option and after exercise of the option, stating that the option lapsed on termination of his employment, and ceased to be exercisable.

For the purposes of the preliminary issue only, it was assumed that Mr Micklefield was dismissed wrongfully and in breach of contract.

The question was whether on the true construction of the contract of employment and the share option scheme, he was entitled to recover damages for loss of his option.

The first point made by Mr Cotterill for Mr Micklefield was based on *Gunton v Richmond-upon-Thames [1980] 3 WLR 714.*

In that case Lord Justice Brightman said that a wrongfully dismissed employee could only sue for damages, not salary, as the relationship of master and servant had been broken, but that "it does not follow that every right and obligation under the contract is extinguished".

It was clear from the paragraph as a whole that Lord Justice Brightman was drawing a distinction between the contract on the one hand and the status or relationship of employment on the other, and was saying that the relationship ceased.

In the option scheme paragraph 4.3B referred to the status or relationship, not to the contract. It began: "If an option holder ceased to be employed within the group."

Mr Micklefield ceased to be employed when he was wrongfully dismissed, even if some other aspect of his contract continued in force.

The first submission failed.

Mr Cotterill's second point was that the company was relying on its own wrong and seeking to take a benefit from its own wrong, contrary to some authorities.

By wrongfully dismissing Mr Micklefield a week or so before he became entitled to exercise his option, the company escaped exercise of the option and, if paragraph 9 of the scheme applied, it also escaped liability in damages for his loss.

Mr Cotterill relied on authorities which explained the principle that a man could not be permitted to take advantage of his own wrong.

One was *Alghussein Establishment v Eton College [1988] 1 WLR 587*, a House of Lords decision (which held there was a presumption that a party to a contract could not be permitted to take advantage of his own wrong, in the absence of express provision to the contrary).

Paragraph 9 was an exemption clause and differed from the kind of clause considered in the authorities. It did not purport to entitle the company to benefit from its wrong in the relevant sense. It exempted the company from that part of the damages that it would otherwise have had to pay for wrongful dismissal, referable to loss of option rights.

If that were wrong, the principle that a man could not be permitted to take advantage of his own wrong, was subject to exception.

In *Alghussein* Lord Jauncey said that "in general the principle is embodied in a rule of construction rather than an absolute rule of law".

If the rule was only one of construction, it could be excluded by a sufficiently clear contrary provision in the contract.

In *Cheall v APECS [1983 2 AC 180* Lord Diplock referred to "the well-known rule of construction that, except in the unlikely case that the contract contained clear express provisions to the contrary, it is to be presumed that there was not the intention . . . that either party should be entitled to rely on his own breaches of his primary obligations as bringing the contract to an end".

Paragraph 9 was clear and decisive enough to exclude the principle as well as to operate as an exemption clause.

It expressly applied if an option holder ceased to be an executive for any reason. That included his being wrongfully dismissed.

The clause was intended and was sufficient to enable the company to escape part of its liability.

The final point was under the Unfair Contract Terms Act 1977.

Section 3, which applied between contracting parties where one dealt as a customer on the other's written standard terms of business, prevented that other from excluding or restricting his own liability for breach of contract.

The court assumed that section 3 would apply in the present case, were it not for Schedule 1 to the Act.

Paragraph 1 of Schedule 1 provided that sections 1 to 4 did not extend to " . . . (e) any contract so far as it related to the creation or transfer of securities".

Mr Cotterill argued that the present contract was a contract of employment, not a contract for creation or transfer of securities.

Paragraph 1(e) was not worded so as to apply merely to contracts for the creation or transfer of securities. It was worded to apply to *any* contract *so far as* it related to the creation or transfer of securities.

So far as Mr Micklefield's contract of employment related to his option to acquire shares, it was excluded from the Act by paragraph 1(e) of the Schedule. Accordingly, on the assumption that Mr Micklefield was dismissed wrongfully and in breach of contract, he was none the less not entitled to recover damages for loss of his option.

For Mr Micklefield: Malcolm Cotterill (Trump & Partners, Bristol)
For the company: Michael Brindle (Freshfields)

Rachel Davies
Barrister

LEGAL NOTICES

IN THE MATTER OF
TENBY INDUSTRIES LTD
- and -
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 28th day of March 1990 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the capital of the company from £14,906.00 to £8,109.829.

A NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr Justice Vinelott at the Royal Courts of Justice, Strand, London WC2A 2LL on Monday 14th May 1990.

Any creditor or shareholder of the said Company desiring to oppose the making of an Order for the Confirmation of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the under-mentioned solicitors on payment of the regulated charge for the same.

Dated this 8th day of May 1990.

Nabarro Nathanson, 50 Stratton Street, London W1X 5FL; Ref: 8A/ARE
Solicitors for the Petitioning Company.

CONTRACTS & TENDERS

HAMPSHIRE POLICE AUTHORITY INVITATION TO TENDER

Tenders will be invited in June 1990, for the operational leasing of a range of vehicles to include motor cars, motor cycles and light commcerical vehicles. These motor vehicles will be used in the performance of policing duties.
Firms interested should apply not later than 31st May 1990, to Transport Manager, Bar End Road, Winchester, SO23 9NP. Telephone Winchester (0962) 68133 Extension 1476 for further information.

TO HOLDERS OF

INTERFIRST TEXAS FINANCE N.V.

Guaranteed Floating Rate Notes Due May 1989
(Unconditionally guaranteed as to payment of principal and interest by IFRB Corporation, successor to InterFirst Corporation)
CUSIP No. 458924 AA 5

MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as Trustee ("Trustee") under the below-mentioned Indenture provides the following to holders of the above described Notes:

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

In re
INTERFIRST TEXAS FINANCE N.V.,
Debtor.

Case No. 389-34612-SAF-11
(Chapter 11)

NOTICE OF FILING AND HEARING
ON DISCLOSURE STATEMENT

PLEASE TAKE NOTICE that on April 12, 1990, InterFirst Texas Finance N.V. ("Texas Finance") and its Official Unsecured Creditors' Committee ("Committee") jointly proposed and filed a Plan of Reorganization ("Plan") for Texas Finance and a related Disclosure Statement ("Disclosure Statement").

PLEASE TAKE FURTHER NOTICE that a hearing to consider approval of the Disclosure Statement has been set for May 29, 1990 at 1:30 p.m. Central Daylight Time before the Honorable Steven A. Felsenthal, Room 15-C-22 at 1100 Commerce Street, Dallas, Texas. Such hearing may be adjourned from time to time without further notice to creditors or other parties in interest other than by an announcement of such adjournment on the date scheduled for the hearing.

Objections to the Disclosure Statement must be in writing, filed with the Clerk of the Bankruptcy Court, 1100 Commerce Street, Dallas, Texas, 75201 and served on counsel for Texas Finance, Michael A. Rosenthal, Gibson, Dunn & Crutcher, 1717 Main Street, Suite 5400, Dallas, Texas 75201-4605, and counsel for the Committee, Henry L. Gompf, Jones, Day, Reavis & Pogue, 2300 Trammell Crow Center, 2001 Ross Avenue, Dallas, Texas 75201 no later than 4:00 p.m. Central Daylight Time on May 25, 1990. If no objections are filed, the Bankruptcy Court may deem the Disclosure Statement to be unopposed and may approve it.

A copy of the Disclosure Statement is on file with the Bankruptcy Court and may be examined by interested parties at the Bankruptcy Court during its regular business hours. Copies of the Disclosure Statement and the Plan may be obtained on written requests directed to: Michael A. Rosenthal, Gibson, Dunn & Crutcher, 1717 Main Street, Suite 5400, Dallas, Texas 75201-4605.

PLEASE TAKE FURTHER NOTICE that, if you are a holder of Texas Finance Guaranteed Floating Rate Notes due May, 1989 ("Notes"), issued pursuant to that certain Indenture dated as of May 10, 1984, as supplemented, by and among Texas Finance, InterFirst Corporation (predecessor to IFRB Corporation as Guarantor) and Morgan Guaranty Trust Company of New York, as Trustee ("Trustee"), and you have not previously identified yourself to the Trustee, you should immediately do so in order that you may directly receive future material relating to the Notes. The Trustee may be contacted at the following address:

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK, *as Trustee*

Corporate Trust Administration
30 West Broadway, New York, NY 10015
Attention: Mr. Patrick J. Crowley, Vice President
(212) 587-6027
Fax (212) 693-0534

By InterFirst Texas Finance N.V.
Debtor in Possession

Dated: April 30, 1990

NOTICE TO THE HOLDERS OF BONDS OF THE ISSUE
9% 1977/1995OF US$ 50.000.000
MADE BY THE EUROPEAN COAL AND STEEL COMMUNITY

The Commission of the European Communities announces that the annual instalment of bonds amounting to US$ 1.750.000,- has been purchased for redemption on June 15, 1990.

Outstanding Amount after June 15, 1990 :
US$ 27,250,000,-

BANQUE PARIBAS LUXEMBOURG
Société Anonyme

DIARY DATES

PARLIAMENTARY

Today

Commons: Progress on Broadcasting Bill.
Lords: National Health Service and Community Care Bill, Committee. Motor Trade (Consumer Protection) Bill, Committee.
Select Committee: Televising of Commons Proceedings - subject, review of televising experiment. Witnesses: Prof. Jay Blumler and Dr Bob Franklin, Univ of Leeds; and Rt Hon Terrence Higgins MP (Rm 8, 5pm).

Tomorrow

Commons: Progress on Broadcasting Bill. Motion on Changes in Immigration Rules.
Lords: Debate on National Environment Waste Policy. Debate on Developments in Complementary medicine and Conventional Treatment. Question to Government on Depletion of Peat Resources.
Select Committees: Foreign Affairs - subject, Foreign Office expenditure 1990-91. Witnesses: Overseas Development Agency officials (Rm 18, 10.30am).
Welsh Affairs - subject, Starter Homes in Wales.
Trade and Industry - subject, Trade with EFTA. Witnesses: Mr Per Jodahl, Swedish Embassy. Mr Harley Atherton, Director of Target Finland (Rm 15, 10.45 am).
Defence - subject, implications for UK Defence Policy of Recent Events in Europe. Witnesses: Jane Sharp, Stockholm International Peace Research Institute, and Mary Kaldor, Sussex University.
Energy - subject, energy efficiency. Witnesses: Dr E G Finer, Director General of the Energy Efficiency Office, plus officials. (Rm 8, 11am).
Education and Science - subject, Annual Report of H.M. Senior Chief Inspectorate of Schools. Witnesses: Rt Hon John MacGregor, MP, Education Secretary, and Officials (Grand Com Rm, Westminster Hall, 4.15 pm).

Thursday

Commons: Completion of Broadcasting Bill. Motion on EC document relating to general product safety. Opposed private business from 7pm.
Lords: National Health Service and Community Care Bill, Committee. European Parliament (Electoral Reform Bill), Report.
Committee on Private Bill - Cardiff Bay Barrage.

Friday

Commons: Private Members Bills.

FINANCIAL

YESTERDAY
DIVIDEND AND INTEREST PAYMENTS-
BP 3.95p
Conversion 9¾% 2003 4.875pc.
Everest Foods 2p
Treasury 10½% Cnv. 1992 5.25pc.
Wessanen NV Fl1.72
TODAY
COMPANY MEETINGS-
Baynes (Charles), 56, Coombe Road, New Malden, Surrey, 4.00
Beaufort, New Court, St. Swithin's Lane, E.C., 10.00
Davies & Metcalfe, Injector Works, Romiley, Stockport, Cheshire, 11.30
Fairey, Stationers' Hall, E.C., 12.00
Hepworth, 116, Pall Mall, S.W., 12.00
Willets (James), Most House Hotel, Chesterfield Road South, Sheffield, 12.00
BOARD MEETINGS-
Finals:
Ambrose Inv. Tst.
Bayer AG
El Oro Mining & Exploration
Ericsson (L.M.)
Exploration Co.
Hay (Norman)
Hi-Tec Sports
Jacksons Group
Jarvis
London Finance & Invs.
Mezzanine Capital Income Tst.
Parkland Textile
Westerly
Interims:
Associated Paper Inds.
Honorbilt
MMT Computing
Olim Convertible Tst.
Trafalgar House
Tubular Edgington
UK Land
DIVIDEND AND INTEREST PAYMENTS-
Barclays O'seas Inv. BV Jun. Gtd. Und. Fltg. Rate Nts. $221.54
Christiania Bank OG Kreditkasse Senior Fltg. Rate Nts. 1995 $498.93
Church 9.5p
Clarke (T.) 4.6875p
Community Hospitals 1.9p
FII 5p
Forwell 1.32p
Holders Technology 4p
Hydro-Quebec Fltg. Rate Nts Sers. FV May 2005 $423.89
Ingham (George) 2p
Jourdan (Thomas) 4.1p
Libra Bank Sub. Fltg. Rate Nts. $430.93
Lloyds Abbey Life 11p
Low & Bonar 5.85p
MTL Instruments 1.4p
Macro 4 3.7p
NatWest. Bank Var. Rate Cap. Nts. 2008 $217.22
Nichols (J N) (Vimto) 6p
Nottingham Corp. 3% Irrd. Gas. Anns. £1.625
RBC Far East & Pacific Fd. Ptg. Red. Prf. 4cts.
Santander Financial Issuances 7½% Sub. Bds. 1996 (with warrants) 3.75pc.
Do. (without warrants) 3.75pc.
Sirdar 1.65p
Tiokde 11½% Uns. Ln. 91/96 5.75pc.
Tor Inv. Tst. 8p
Treasury 3% 1990 1.5pc.
Volvo AB A SKr15.5
Do. B SKr15.5
Wales City of London Props. 2.62p
Wimpey (George) 6.5p
TOMORROW
COMPANY MEETINGS-
Business Technology, Hotel Britannia Grosvenor Square, W., 11.00
Buxal, The Brewery, Chiswell Street, E.C., 12.00
Canning (W), Canning House, St. Paul's Square, Birmingham, 12.00
Edmond Hldgs., The Falcon, Castle Ashby, Northampton, 12.00
Ibstock Johnsen, Hyde Park Hotel, Knightsbridge, S.W., 12.00
Kleinwort Benson, 20, Fenchurch Street, E.C., 12.00
Kleinwort Smaller Co's. Inv. Tst., 10, Fenchurch Street, E.C. 12.30
Perkins Foods, Watermans' Hall, 18, St. Mary at Hill, E.C., 12.30
RTZ, Queen Elizabeth II Conference Centre, Broad Sanctuary, S.W., 2.30
Schroders, 120, Cheapside, E.C., 12.00
BOARD MEETINGS-
Finals:
Brent Walker
Cakebread Robey
R & V Information Systems
Telfos Hldgs.
Interims:
Bibby (J.)
Tilton Hldgs.
DIVIDEND AND INTEREST PAYMENTS-
De Beers Cons. Mines (Reg.) 50.30471p
Do. (Br.) 50.30471p
Do. $ 217.5cts.
Domestic & General 3.5p
Halifax Bldg. Soc. Fltg. Rate Ln. Nts. 1994 £185.82
Intl. Bank for Rec. & Dev. 11½% Ln. 2003 5.75pc.
I & S Optimum Inc. Tst. 1.8p
Johnston Press 3p
Lloyds Bank 9p
London Forfaiting 4.625p
Midland Bank 10.7p
Natl. & Provincial Bldg. Soc. Fltg. Rate Nts. 1999 £371.85
P and P 2.5p
Second Market Inv. 0.33p
Servomex 3.5p
Standard Chartered Und. Prim. Cap. Fltg. Rate Nts. (Ser. 2) $443.07
Time Warner 25cts.
THURSDAY MAY 10
COMPANY MEETINGS-
Associated British Ports, Ironmongers' Hall, Shaftesbury Place, Barbican, E.C., 12.00
BTR, Queen Elizabeth II Conference Centre, Broad Sanctuary, S.W., 11.30
British Mohair, Midland Mills, Valley Road, Bradford, 11.30
Brompton Holdings, Great Eastern Hotel, Liverpool Street, E.C., 10.00
Cambridge Electronic Inds., Barber-Surgeons Hall, Monkwell Square, Wood Street, E.C., 12.00
Evans Halshaw, Monaco House, Bristol Street, Birmingham, 12.00
GKN, Inter-Continental Hotel, 1, Hamilton Place, Hyde Park Corner, W., 11.30
Jacobs (John I), Clifton-Ford Hotel, Welbeck Street, W., 11.30
Mallett, Britannia Inter-Continental Hotel, Grosvenor Square, W., 10.00
Matthews (Bernard), Maids Head Hotel, Norwich, 12.00
Radius, 46, Queen Street, Hull, 11.30
Refuge, Refuge House, Alderley Road, Wilmslow, 12.00
Rentokil, Felcourt, East Grinstead, West Sussex, 11.00
Tozer Kemsley & Millbourn, The Brewery, Chiswell Street, E.C., 12.00
United Biscuits, The Assembly Rooms, George Street, Edinburgh, 12.00
Wilson Bowden, Grand Hotel, Granby Street, Leicester, 12.00
BOARD MEETINGS-
Finals:
Corton Beach
Highcroft Inv. Tst.
King & Shaxson
London Atlantic Inv. Tst.
RIT Capital Partners
Sears
Smith St. Aubyn
Wilton
Yorkyde
Interims:
Chrysalist
Fundinvest
Radio Clyde
Staks
DIVIDEND AND INTEREST PAYMENTS-
ASEA AB Series A SKr12
Do. B SKr12
American Express 23cts.
Barclays 16p
Beauford 3.54p
Chicorp 445cts.
EMC 0.7p
Kode Intl. 5p
Matthews (Bernard) 2p
More O'Ferrall 10p
Schroders NV 19p
Strong & Fisher 2p
FRIDAY MAY 11
COMPANY MEETINGS-
AAF Investment Corpn., Guild House, 36-38, Fenchurch Street, E.C., 11.00
Bluebird Toys, Europa Industrial Park, Parsonage Road, Swindon, 10.30
Clyde Petroleum, Holiday Inn, Argyle Street, Anderston, Glasgow, 12.00
Filofax, Filofax Centre, 21, Conduit Street, W., 11.00
Laird, Brown's Hotel, Dover Street, W., 12.00
Oliver Group, Grove Way, Castle Acres, Narborough, 12.00
Pearson, Millbank Tower, Millbank, S.W., 12.00
Rutland Trust, Hyde Park Hotel, Knightsbridge, S.W., 12.00
BOARD MEETINGS-
Finals:
Merchant Manufactory Estate
Osborne & Little
Radamec
Whitbread Inv.
Interims:
Blenheim Exhibitions
McCarthy & Stone
DIVIDEND AND INTEREST PAYMENTS-
AAF Inv. 5.5p
Admiral Computing 2.4p
American Tst 3.1p
Armitage Bros. 2.4p
Armour Tst. 0.275p
BM 1.2p
Bardon 1.9p
Bermuda Intl. Bond Fund 30cts
Business Technology 2.8p
Cattle's 2.2p
Colorgraphic 4.66p
Hobsons Publishing 7.7p
Kleinwort Smaller Co's Inv. Tst. 3.15p
Magnetic Materials 0.9p
Mersey Docks & Harbour 2.83p
NCR 35cts
North Housing Assoc. Gtd. Ln. 2037 4¼pc
Pelon 1.4p
Rentokil 3.62p
Royal Insurance 14.75p
SD-Scicon 6½pc Pref. 3.25p
Scholes 2.8p
Schroders 19p
Transport Development 6.5p
Vickers 5.6p
Victaulic 6.5p
SATURDAY MAY 12
DIVIDEND AND INTEREST PAYMENTS-
Investment Tst. of Guernsey 1.2p

Trade fairs and exhibitions: UK

Current
International Philatelic Exhibition - STAMPWORLDLONDON (01-251 5040) (until May 13)
Alexandra Palace, London

May 11-13
Spring National Franchise Exhibition (01-727 1929)
Olympia

May 13-17
Interior Design International Exhibition (01-868 4499)
Earls Court

May 15-17
International Fresh Produce Fair & International Chilled Food Fair (01-727 1929)
NEC, Birmingham

May 16-17
The 1990 London Docklands Business and Property Exhibition - seminar "Moving to Docklands" May 17 (071-538 4036)
Red Hall, Barbican

May 21-26
International Federation of Precast Concrete Exhibition and Conference (01-743 3106)
Queen Elizabeth II Conf. Centre

May 22-24
London Wine Trade Fair (01-637 2400)
Olympia

May 22-25
Chelsea Flower Show (01-834 4333)
Royal Hospital

Overseas exhibitions

Current
Hanover Fair - INDUSTRY (01-668 9541) (until May 9)
Hanover

May 4-8
International Woodworking Machinery Trade Fair - DREMA (0223 233952)
Poznan

May 7-13
International Consumer Goods Fair (01-836 5219)
Plovdiv

May 15-18
International Lighting, Equipment, Fixtures, Fittings & Technology Show (01-486 1951)
Hong Kong

May 19-27
International Spring Fair (01-639 7265)
Luxembourg

June 5-8
Communications Equipment Exhibition - BRAZIL COM EXPO (01-977 3474)
Rio de Janeiro

June 12-14
CAD/CAM & Robotics Exhibition (01-940 3777)
Toronto

Business and management conferences

May 9-11
ESOMAR: Countdown to 1992: Which issues at stake? Which strategies in the Single Market? Which needs in research and consultancy? (Amsterdam +31-20-664-2141)
Brussels

May 13-16
Giles Communications Inc: International Privatization Congress (Canada (306) 347-7770)
Saskatoon

May 14-15
Insurance and Reinsurance Research Group: Reinsurance accounting (01-236 2175)
Kensington Close Hotel, London

May 14-15
Acquisitions Monthly: Strategies for buying and selling unquoted companies — a practical approach (01-823 8740)
Le Meridien Hotel, London

May 15-16
Enterprise Events: Finance 90 — New directions for challenging times (01-940 2244)
Olympia 2

May 18
IBC Technical Services: Environmental economics (01-236 4080)
Portman Inter-Continental, London

May 21-22
Financial Times Conferences: The Seventh European and Petroleum Gas Conference (01-925 2323)
Amsterdam

May 21-22
CBI Conferences/RICS: Property as a corporate resource (01-379 7400)
Centre Point, London

May 21-22
Financial Times Conferences: European transport in the 90s (01-925 2323)
Hotel Inter-Continental, London

May 22
CBI Conferences/DTI: UK and international aid for Eastern Europe - what you need to know (071-379 7400)
Centre point, London

May 23-24
Chicago Association of Business Economists: Financial outlook (Chicago 312 875 0044)
Chicago

May 23-24
Financial Times Conferences: Manufacturing strategies for the 90s (01- 925 2323)
Metropole Hotel, Birmingham

May 24
ESC: Tax constraints on international business — a review of anti-avoidance provisions (0536 204224)
London

May 24-25
Practising Law Institute: The Swap Market in 1990 (212 765 5700)
Westbury Hotel, New York City

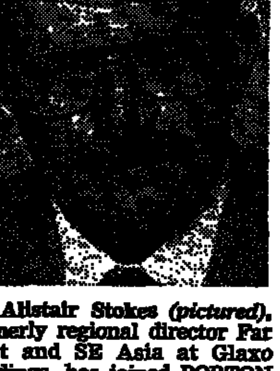
June 11-12
IBC: *Dematerialisation - the implications for the securities industry* (June 11); The future for the UK securities industry (June 12) (071-637 4383)
Cafe Royal, London

June 12-13
Financial Times Conferences: The publishing industry in the 90s (01-925 2323)
Hotel Inter-Continental, London

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

APPOINTMENTS

Managing director operations at Porton



Dr Alistair Stokes (*pictured*), formerly regional director Far East and SE Asia at Glaxo Holdings, has joined PORTON INTERNATIONAL as managing director, operations. He will be responsible for the day-to-day mangement of the group's trading companies, now focused on four major core businesses - pharmaceuticals, diagnostics, bioprocessing and instumentation.

■ Mr Michael F. Short has been appointed managing director of PREMIER UNIT TRUST ADMINISTRATION, Brentwood. He was director and general manager of Hill Samuel Investment Service Group's unit trust management operation.

■ Mr Paul Judge has been appointed chairman of FOOD FROM BRITAIN, a Government-backed body which promotes UK food exports.

■ Mr Ken Smith has been appointed finance director of ALPHAMERIC. He was company secretary.

■ DUNCAN LAWRIE (IOM), private bankers, has appointed Mr Bruce Dutton as general manager. He was with the Trustee Savings Bank in the Isle of Man.

■ Mr John Close, who manages the largest granite quarry in Europe (6m tonnes pa) at Mountsorrel in Leicestershire, has been appointed a director of REDLAND AGGREGATES.

■ Mr John Banfield has been appointed general manager, lubes and commercial marketing, MOBIL OIL CO. He was sales manager, Mobil Oil, Rotterdam, and takes over from Mr Mike Churn who becomes general manager, retail marketing.

■ Mr Stuart Wilkinson has been appointed to the board of PRINCIPAL HOTELS as finance director. He was a partner in Ernst & Young.

■ Mr Christopher Kenyon has been appointed chairman of NATIONAL WESTMINSTER BANK's northern advisory board, and a member of the UK advisory board. He is chairman and chief executive of William Kenyon & Sons, and succeeds Sir Leslie Young who has retired.

■ THE DJB BROWN GROUP has appointed Mr Geoff Cash as managing director, sales and marketing, at Multidrive, Stockton-on-Tees. He was general manager, UK commercial vehicle division, Mercedes-Benz.

■ CAPITAL AND REGIONAL PROPERTIES has appointed Mrs Lynda Coral to its main board. She was group financial controller and company secretary and retains these responsibilities.

■ LAZARD BROTHERS & CO has appointed Mr Svante Adde as an asistant director.

■ BET PLANT SERVICES, Dorking, has appointed Mr Malcolm Wilton, group financial controller, to the group managment team, and to the boards of HAT Contracting Services, HAT Painting, Lorne Stewart, Four Seasons Roofing Group, and the Lyngrid companies. He has also joined the board of the US corporation, BET Plant Services Inc.

■ Mr Jeffrey Goodman has been appointed a non-executive director of GLOVERALL, maker of casual outerwear.

■ Mr Gerry Farrell has been appointed managing director of CCA GALLERIES, limited edition original prints publisher. He was creative director.

MANAGEMENT

LBS entrepreneurs' course

Testing times for staff, systems and stamina

Charles Batchelor attends a students' reunion two years on

"Business is murder and clients are awful."

"The past year has been traumatic. We expected some problems but not to that extent."

"It has been problems at every stage – getting from suppliers what we had ordered, finding good staff. I was falling out of love with the furniture market."

As these comments illustrate, the past 12 months have been difficult for one group of two-year-old businesses. The remarks were made at a reunion* meeting last week of participants in a six-month Firmstart training course in small business management skills held at London Business School between October 1987 and April 1988.

There appears to be little doubt that year two has proved a testing time for several of the course participants. Long working weeks; the absence in some instances of a business partner with whom to discuss problems; and a shortage of finance have taken their toll.

"These companies are still coping with the problems of start-up," comments Ian Carmichael, one of the course tutors. "They are still at the stage of making mistakes and they are trading in an economy which is less buoyant than it was three years ago."

Rosey Harding and her two partners in Sandy Harding Mihill, a public relations consultancy, spent their first year clocking up all the chargeable hours they could. In their second year, she concedes, they lost some of their enthusiasm for working all available hours and were also side-tracked by issues such as arranging pensions, insurance and a profit-sharing scheme.

Carole Thomas, who has a design consultancy, says she is running out of the physical and mental energy needed to work a 12-hour day. Thomas had originally set up in business with a partner and she feels the lack of someone with whom to discuss her problems.

The loneliness of the new business owner was also felt by David Lane when he set up the Professional Development Association, a not-for-profit organisation providing staff development programmes. Lane's intended partners were reluctant to join him until the business had become established, from three to six months later. "The first months were a nightmare," says Lane. "It's quite a relief to have the benefit of a team."

One of the main problems which these young businesses has had to confront has been finding and employing staff. Tony Dunford complains that when he can find good staff for his Beaconsfield, Buckinghamshire-based typesetting company, they tend to move on quickly to other jobs.

Tony Beswick, founder of the Treworra Activity Centre in Cornwall, has devised a thick instruction manual for his employees but confesses there is little he can do to train people who subsequently appear to be totally lacking in commonsense.

Small businesses require people who can be flexible, do a variety of jobs and be willing to take responsibility, notes Carole Thomas. Unfortunately many job applicants want a job which is tightly defined and for which they will not have to take any responsibility.

Several of the entrepreneurs have been giving careful thought as to how they control their businesses. Rosey Harding and her partners pay £2,000 a year to an accountant to prepare their monthly accounts.

This prompts suggestions from some of the other course members that she could do the job much more cheaply using one of the standard accounting software programmes. "Businesses which make the breakthrough have learned to master computers," comments Catherine Gurling, director of enterprise programmes at London Business School.

Coping with new technology has caused severe problems for at least one of the course participants, Tony Dunford. It took nine months to find a supplier of typesetting and graphics systems which understood what Dunford wanted and could put it all together but even this company lacked the depth of expertise to provide all the answers and Dunford and his staff had to solve many of their own problems.

Sales took a dive; a number of customers quit; staff left in frustration at the delays. On top of this some of Dunford's computers were affected by a "virus" and his difficulties hit the headlines in the computer press. The problems have now been overcome and sales are expected to double to £360,000 by the end of this year. "But if we hadn't had computer and engineering expertise within the company we would have gone down," says Dunford.

Alex Stewart-Clark has attempted to introduce a manual stock control system for his Surrey timber merchant's yard but after a three-month trial found the system to be so inaccurate that he scrapped it.

He now plans to introduce a computerised control system but Gurling warns him to get someone to keep good manual records first. With stocks currently worth a quarter of the company's £480,000 turnover and sales projected to grow to £800,000 this year an uncontrolled build-up of stocks could become serious, she says.

It was this very problem which helped bring James MacRae's greetings card business to its knees. MacRae has yet to decide whether to put his company into liquidation and start afresh with a new company or whether to launch a new greetings card venture under his existing company. Either way, he says, he has reached an amicable agreement with his creditors and he will repay them eventually.

MacRae says his mistake was to agree unduly high stock levels with the subcontractor who made up his photographic cards. MacRae failed to keep a close eye on what was happening; he ended up with large stocks of slow-selling cards and inadequate funds to produce more of the best-sellers. MacRae now plans to exploit what he believes is another potentially very profitable niche of the card market.

MacRae is the only course member to have been forced to pull out of his original business but economic pressures have built up on several of the entrepreneurs. Bill James has found it increasingly difficult to sell his up-market fitted kitchens, bedrooms and bathrooms to home-owners hit by rising mortgage repayments. In the past few months business has slumped to just £5,000-£6,000 a month, a fifth of the levels of a year ago. On top of this the company's main supplier has introduced far tougher credit terms.

Bill James: juggling his furniture and football businesses

James is allowing the kitchen business to tick over but is concentrating most of his efforts on an unusual diversification; he is developing a profitable agency acting for Soviet and other eastern bloc footballers keen to play for Western clubs. Over the past six months James has placed three Soviet international players with clubs in Ipswich, Brighton and Southampton, taking a commission of between 5 and 10 per cent on transfer fees ranging from £200,000 to £400,000.

James has had a life-long interest in football – he qualified as a Football Association referee at the age of 16 – but this business opportunity was the result of his friendship with a Russian-born American who had signed contracts with several Soviet sporting organisations to represent their interests outside the USSR. With soccer a minority sport in the US, the American promoter was looking for someone to place his footballers in Britain and the rest of Europe, says James.

Bill James may be an unusual example of the entrepreneur's ability to respond to new opportunities but a number of other course participants have diversified into areas closer to their core business. Rosey Harding has branched out into arranging conferences while Derek Clissold has been expanding the range of speciality chemicals supplied by his company, Cascade Biochem.

Sales growth is already strong – turnover in the first four months of 1990 exceeded the £145,000 in the whole of last year – but Clissold has further ambitions. He has begun producing a range of products for use in clinical trials and has reached agreement with a US manufacturer of a complementary range of chemicals to distribute its products in Europe. "This will double the size of our catalogue and make us much more of a 'one-stop' company," says Clissold.

The reunion has dwelt on the problems which the entrepreneurs have had to face but they welcome this opportunity to discuss their difficulties freely. For the rest of the year they are obliged to put on a brave face to customers, suppliers and competitors.

"If you were wiped out tomorrow would you go back to working for someone?" asks Gurling. The unanimous reply is: "No!"

**An article describing the first annual reunion of the Firmstart group appeared on this page on May 9 1989.*

Tilting towards local business

Charles Batchelor reports on indigenous investment

It is difficult, if not impossible, for the community-minded investor to invest in small businesses in his own locality.

Conventional financial institutions such as banks pool the money they gather from savers and lend it out where they can get the best return.

A newly-formed development company set up Totnes, Devon, is attempting to provide a local investment channel. TILT – Totnes Involvement in Local Trading – was set up last November to channel local savings into small businesses in the Totnes and Dart River Valley area.

TILT has raised £6,000 from about 10 local investors and plans to lend sums of between £500 and £1,500. It believes it can raise larger sums and make larger investments once it has proved itself. It is currently considering four projects – a day nursery, a wholefood restaurant, a mobile grocery store and a silver jewellery workshop – but has yet to make any investments.

TILT plans to invest in projects which are commercially viable and which make a contribution to the local community. This may mean it backs projects which a bank manager, operating purely commercial criteria, would not fund. Loans will be made at a rate slightly below that of banks or building societies though TILT does not set out to be an easy source of cheap money, says Mark Beeson, one of the initiators of the venture.

The current rate of interest charged to borrowers is 15 per cent – several points below what most small firms could expect to pay. Investors may buy either loan stock, currently paying interest of 6 per cent, in TILT or buy shares which would pay a dividend.

TILT's founders originally considered setting up as a Friendly Society, a charity or a bank but none of these formats was suitable. So after two years of looking for an acceptable legal structure, the founders opted for limited company status.

The Financial Services Act of 1986 exempts companies carrying out investment business between members of the same corporate body from the need to register though it prevents them from advertising for investments.

Although TILT may point the way for other local investment initiatives, this combination of social and commercial motives when making investments can be fraught with risk.

TILT Ltd, Birdwood House, Totnes High Street, Totnes, Devon. Tel 0803 867099.

Small firms and the unemployed

Small businesses play an important role in bringing school-leavers into the workforce and in helping the unemployed back into employment, according to a survey* carried out by the Small Business Research Trust.

The study refutes the widely-held view that small firms poach from large firms. "Given that average earnings in small firms are lower than in large firms, the opposite tendency appears to be true," the authors state.

"This misapprehension has probably arisen because small firms do not spend much on formal training. They cannot afford to do this but have to rely mainly upon training unskilled people on the job."

A few fast-growing and sophisticated small businesses may recruit key employees from larger firms but the vast majority cannot afford to do so. Large firms undoubtedly get the cream of school and higher education leavers, the report says.

Thirty one per cent of recruits were previously unemployed or at school; 34 per cent came from other small firms; while only 17 per cent came from large firms (employing more than 100 people). The background of 18 per cent of recruits was not known.

Forty seven per cent of respondents (375 companies) had recruited employees during the previous year with 81 per cent of these taking on between one and four new workers, 11.5 per cent between five and nine workers and 3.5 per cent between 10 and 14. Some companies made sizeable increases in their workforce with eight firms (2 per cent of recruiters) engaging between 25 and 50 new employees.

**Quarterly Survey of Small Business in Britain. Vol. 5 No 4. Small Business Research Trust, School of Management, Open University, Walton Hall, Milton Keynes MK7 6AA. Tel 09083 655831.*

CB

In brief...

■ A one-day conference entitled Quality in Counselling and intended for counsellors to the small business sector will be held at Durham University Business School (DUBS) on June 19.

The conference will examine the key issues for small business support in the 1990s, likely changes in the clients for counselling services, the skills which will be required of counsellors and the effect of the privatisation of counselling.

Contact Ruth Ratcliffe, DUBS, Mill Hill Lane, Durham, DH1 3LB. Fee £65.

■ How should sub-contractors respond to the build-up of Japanese-owned manufacturing plants in Europe? At present these Japanese factories place 60 per cent of their sub-contracted business with Japanese companies which have followed the main manufacturers into Europe.

Suggestions on how European sub-contractors might increase their share of this business will be made at Working Together, EC/Japan Sub-contracting Opportunities, a two-day conference organised by the European Commission to be held in Brussels on June 21-22.

Business Briefings, 565 Fulham Road, London SW6 1ES. Fax 071 385 0974 or France Pacific Consultants, 3 rue Friant, 75014 Paris. Fax 1 45 39 14 08. Fee Ecu 140 (£100).

THE BUSINESS SECTION ALSO APPEARS ON PAGE 8 TODAY

Touche Ross

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- ☐ Building materials

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The Metro Centre – Grahame Watts (Touche Ross Partner), c/o Rush & Tompkins Ltd, The Metro Centre, Gateshead, Tyne & Wear NE11 9NN. Tel: 091 488 0411. Fax: 091 488 9045.

South West – Robert Ellis (Touche Ross Partner), c/o Rush & Tompkins Ltd, Wessex House, Station Rd, Westbury, Wilts BA13 3JN. Tel: 0222 371 524. Fax: 0222 396 231.

Midlands – Ralph Preece (Touche Ross Partner), c/o Rush & Tompkins Ltd, Richardshaw Drive, Grangefield Industrial Estate, Leeds, Yorks LS26 6SB. Tel: 0532 573 437. Fax: 0532 551 253.

South East – Nigel Atkinson (Touche Ross Partner and Joint Administrative Receiver), c/o Rush & Tompkins Ltd, Prospect House, 19-21 Homesdale Road, Bromley, Kent BR2 9LY. Tel: 081-464 4111. Fax: 081-466 5911.

Alternatively enquiries can be made directly to the Joint Administrative Receivers Christopher Morris or Tony Houghton at Touche Ross & Co, 55/57 High Holborn, London WC1V 6DX. Tel: 071-405 8799. Fax: 071-831 2628. Telex: 261296 TRCHAN G.

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For further details please contact:
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ARTS

A remarkable way to mark a first year

William Packer on Tiepolo at the Accademia Italiana and a Brooker retrospective

THE Accademia Italiana celebrates the completion of its first year in its handsome galleries at *24 Rutland Gate* with a small but remarkable exhibition of drawings by Giambattista Tiepolo (until June 30). They come from the Civic Museum of Trieste which in 1910 acquired the collection, begun in the early 19th century by the Venetian engraver, Antonio Viviani, and later taken over and extended by Giuseppe Sartorio, of Trieste. A chequered modern history and the present exigencies of conservation make sure these drawings are rarely shown. They have never been seen in Britain before.

Tiepolo is the last great master of the baroque, *sui generis*. An artist who by the sheer exuberance and generosity of his technical and inventive powers, *has astonished* even those who find the richness of his work not quite to their taste. But times change and we have lately come round to a renewed respect for such consummate facility as his – artistry in its truest sense. His graphic command is indeed astonishing, as these faded, exquisite sheets testify.

The touch is of the lightest, the notation brief, deft and wonderfully economical, the hand as quick as the thought of the image itself. In the imagery he treads that narrowest and nicest of paths between the spiritual and the profane. His subject matter is conventionally if opulently religious, yet his piety is never immune to the active flash of a pretty knee or plump thigh beneath the billowing skirt. The delightful run of street-life caricatures shows just how close *he kept his eye to the* real world.

● William Brooker, who died 3 years ago at the age of 69, is remembered in a small but admirably comprehensive retrospective at Austin/Desmond Fine Art (Pied Bull Yard, 15a Bloomsbury Square WC1: until May 24). He had nothing of Tiepolo's bravura and *élan*, but after his own more dogged fashion, shared much of that hedonistic delight in the visible world and in women in particular. Of all the British painters of his generation, brought up post-war in the tradition of objective impressionism after the manner of Sickert, Camden Town and the Euston Road School, he in the 1950s was the most delicate and particular.

His great quality, which is so well illustrated here, was the tender, undemonstrative strength of his drawing and composition, which set up the figure in a visual space and architecture that remained at once intimate and monumental. It is this quality that we see confirmed and refined through the continuing sequence of still-lifes that was his principal preoccupation through the remainder of his life. Brooker's is not yet a name to set the salerooms alight, but he was that typical figure of the British art world – the serious, utterly professional and ultimately distinguished artist – we once seemed to produce as a matter if course. His turn is bound to come. Several of this narrow selection should already be in the museum.

William Brooker's 'Nude reclining on a bed' (1955)

● Paul Feiler, whose retrospective inaugurates Austin/Desmond's fine new space on the other side of Pied Bull Yard (until June 2) is Brooker's exact contemporary but happily still with us. His too is a reputation not altogether obscure but too long neglected. He issuffering that curious fate of being remembered for shows long past but for the moment is quite out of critical focus – almost invisible. But the world has moved on, and the abstraction of the 1950s and early 1960s, particularly that associated with the loose *confrèrie* of farthest Cornwall, is again being considered for its distinctive qualities. It is work that was largely resistant to the current American influences of the enveloping colour-field, as against the broader, more suggestive European sensibility.

Rarely oversize or out of scale, inclined towards amorphic and organic reference in the imagery, earth coloured and more tonal than purely chromatic in the paint, rich in surface texture, Feiler's work is all these things, even when he succumbed to a more systematic method and hard-edged, simplified imagery in the later 1960s. The work stands all of a piece and, like that of Brooker, warrants thorough critical reconsideration.

● Finally, a simple recommendation of Luke Elwes' *Bungle Bungle* paintings that now occupy the Rebecca Hossack Gallery (35 Windmill Street W1: until May 12). Their subject is the landscape of the remote Australian outback, cast in the tradition of Nolan, Williams and Boyd, but more surreal than mythical, full of the quirky, active pictorial invention and incident of early Miro. Yet their quality is entirely Elwes' own, at once funny, ironical and absorbing.

Mother Courage

CITIZENS' THEATRE, GLASGOW

Like many of our old industrial cities, Glasgow is spruced up, well scrubbed and touchingly expectant: all dressed up but not quite sure of her future role. *Cultural capital* or not, the theatre-goer in search of a pre-show snack finds rapidly emptying streets and firmly brandished "closed" signs in that limbo hour before curtain-rise. Only an impressive Georgian frontage on the Clyde riverside has lighted windows and cheerful music blaring forth: "Hope House", it says. "The Salvation Army".

An apt setting for the Labour candidate for Hampstead to shoulder the yoke of Mother Courage's wagon. So apt, indeed, that Philip Prowse's production quite effaces memories of the RSC version in London some years ago: tauter, clearer, more compact. For a Citizens production this is surprisingly straightforward. Brecht's chronicle of survival despite, and because of, the Thirty Years War has been updated from the 17th century to our own time – whose peaked caps and goose-steps fit in all too plausibly. Some dialogue is upstaged by mute figures symbolising the horrors of wartime ,but for the most part the play is allowed to speak for itself and no nonsense about alienation (non-theatricality) or the Cits special style (over-theatricality).

The Citizens imprint, however, unmistakably marks the opening. A golden field of corn, the gleaners advancing with choreographic precision, is backed by a black (charred?) frieze of broken pillars, damaged façades. An explosion shakes the theatre (to at least one Glaswegian shriek), the house lights flash, the cornfield is whisked away. The smoke clears on the ramshackle landscape of wartime ruin; shooting and killing occupy the stage.

Comparisons between Judi Dench, London's last Courage, and Glasgow's Glenda Jackson are irrelevant. The actresses differ in physique, voice and temperament; in common they have only theatrical intelligence and boundless humanity. If Dench was an mop-headed urchin, an ageless little baglady, Jackson is the embattled businesswoman, beating down opposition to scrape a living. In another existence she would be a landlady whose cry of "time!" would clear a terrified public bar in the Gorbals double quick. She adopts a northern nasal whine with her usual incredible vocal range, from arching coo of mocking incredulity to baritonal baying from the chest.

The style is forthright and direct. Her refusal, under the suspicious eye of hostile officers, to identify the corpse of her son, is plainer, less subtle, than Dench's, possibly more Brechtian in that she signals the situation to us without lavishing emotion on it.

There is a danger in her performance of relying too much on the vocal pyrotechnics, the grim, glum set of the jaw and dulled but not yet dead hopefulness in those watchful, rueful eyes. But this is a splendid performance, worthy of both Glasgow's European role and the Mayfest, the city's own party.

Excellent support comes from Tristram Jellinek as the turncoat (or rather turn-collar) chaplain, his prim tones evoking the vicar in *The Archers*, Roberta Taylor's whorish Yvette, tottering through the top brass on red platform-sole lace-up boots, and Laurance Rudic's cook - though he must project his voice more. The music hall act with which he and Courage beg crumbs from the darkened vicarage is superb (here the RSC production was embarrassing). As the dumb daughter consumed by longing for motherhood and a normal life, Jane Bertish, mulishly whey-faced, is memorable. Neither the drumming with which she warns the sleeping town of invasion nor her death – no topple from the roof-top like the RSC's Zoe Wanamaker – is as powerful as it could be; perhaps because the tension has sagged through the perfunctory blurting of Patrick Hannaway's old peasant.

Robert David MacDonald's translation and the choice of music, notably "Onward, Christian Soldiers" and, to fine ironic effect, "Abide with Me", add to the impact. If ultimately one is shaken, not stirred, it may be the fault of Brecht who, it becomes clearer, disguised a baleful misanthropy as political conviction. No wonder his unyielding image of humanity as cowardly, devious and brutal because obsessed by self-interest could only be countered by advocating a system now rejected by most of its victims. Today he would loathe us even more!

Martin Hoyle

Game

SADLER'S WELLS

As a programme note to his new ballet, *Game*, given its first performance by Sadler's Wells Royal Ballet on Friday, William Tuckett cites the dictionary definitions of his title. His score is Debussy's *Jeux*, that *poème dansée* which was made for Diaghilev's Ballet in 1912. Then it was a mysterious incident, choreographed by Nijinsky, involving two girls and a man playing in a garden – that it was intended to be a homosexual flirtation and that Diaghilev saw it as set "in 1930" adding to its mystery.

The Nijinsky version was short-lived, and Debussy's shimmering score has never found a lasting repertory place in any definitive realisation. For Tuckett, and for his designer, Stephen Meaha, this new staging might well have the subtitle "Intrigue".

Action and location are intriguing, both in the sense of being unexplained, and in relying upon sudden dramatic tensions and unpredictable incidents as the performers spar with each other. Meaha has provided a box set of a pale room, two of its walls shrouded in white hangings, with a central door through which four couples enter.

Alastair Muir

Tony Fabre and Bonnie Moore

The host seems to be Kevin O'Hare, bespectacled, in white shirt and trousers. His partner, and two other couples – in modish outfits whose bursts of colour are clear, bright – indulge in mannered choreographic banter, as if playing out certain of the physical or emotional meanings of the title.

There then arrive the black clad Bonnie Moore and Tony Fabre, whose functions are to disturb and tease, to "play games" with the others, and with O'Hare in particular, or to hunt for sexual "game" and quarry. Bonnie Moore snatches O'Hare's spectacles – shades of *My Brother, My Sisters* – while the curtained walls have been stripped to reveal glowingly vivid painting.

At the last, O'Hare puts on a jacket decorated with a patch of colour and leaves, and the world outside the door is shown to be as brightly painted as the walls of the room.

There is, I suppose, some message in all this about seeing beyond a conventional world to more vivid reality, or that life is a series of games that people play. The more immediate significance, though, is that for all the wilful incidentals of the piece, Tuckett is evolving an allusive, albeit somewhat short-breathed, choreographic style.

This second professional work for SWRB is, like his earlier *Those Unheard*, clever in establishing mood. In this he is much helped by Stephen Meaha's admirable designs, and by a cast who play his games with the lightest touch.

The evening also included a careful, not to say sober-sided, view of *Les Sylphides*, and a lively account of *Flowers of the Forest*.

Clement Crisp

Hand Over Fist

WATERMILL, NEWBURY

The Watermill, with the mill churning over the water in the foyer, must be the most attractive theatre in the country to stand outside on a warm summer evening--which stacks the odds against any play running inside. Richard Everett's comedy about the illusions and delusions of money making in the post-Big Bang City did not perhaps get a fair critical chance. Mind you, most of its problems are self-imposed. It has enough unfulfilled story lines to keep a television sitcom going for months. It is also well stocked with the kind of characters who inhabit sitcoms, entering noisily from left to defuse the tension if things look like getting serious.

There is Roger (Robert McBain), the incompetent speculator, always planning a killing from doing over an old house, or shares in a Malaysian rubber company. There is Gwen (Hetty Baynes) his wife, still relying on girlish flirtatiousness in defiance of the passing years. There is Sid the builder (Walter Sparrow), milking the middle class of their guilt and their guilders.

This comic relief tramples over the main business which involves Angus, a City broker, returning home after a heart attack to his doting wife Connie, who wants him to retire. Throw in a son as business rival and there is no shortage of action. There is no shortage of longeurs either as the characters get on each other's nerves, and ours, especially Connie, the least relaxing character in modern fiction.

I don't know whether Richard Everett, best known for co-scripting the "Nellie the Elephant" cartoon series, consciously based his play on Jonson but it has the stamp of Jacobean comedy. All the characters, bar Connie, are chasing money in their own modern way. Since Angus always seems to have enough of the stuff to bale them out some of their frenzy seems over-done.

Francis Matthews looks amazingly well for a convalescent Angus but, with Sheila Allen as the nagging wife, the bedrock performances are professionally turned. Indeed the acting is spot on and the characters have a disturbing credibility. If only Richard Everett had made up his mind whether this was a comedy or moral tract (false ending, tragic, followed fast on false ending, idyllic, with the audience happy to accept either); if only major plot lines had not disappeared without trace; if only the action was not so clichéd. No doubts about the set designed by Geoffrey Scott: its solid suburban terrace must have looked just like home to the Newbury audience.

Antony Thorncroft

London Philharmonic

FESTIVAL HALL

Any question as to whether Kurt Masur will be returning to London following his appointment to the New York Philharmonic had at least an interim answer last night. An insert in the London Philharmonic's programme announced a pair of concerts for the orchestra's winter season, each featuring the Russian music of which this East German conductor is fond. For this concert a massive programme had been scheduled, pairing two of the great 20th-century Russian masterpieces. The music-making was rather sustained in its power and warm in expression, arguably suiting Rakhmaninov better than Shostakovich.

In the first half it was certainly Masur who drew the most lyricism from Rakhmaninov's Third Piano Concerto. The soloist was Peter Donohoe, a worthy champion for the piece, often individual, at his best genuinely exciting, but not as yet an interpreter who finds much to say in the lyrical writing that pervades so much of this score.

It seemed typical of his performance that the first movement should only spring to life in the all-or-nothing cadenza (Donohoe chose the big one). Then in the finale, once his blood was up, Donohoe again met the challenge head on, sparing not an ounce of energy and shooting Masur a look of desperate impatience as he tried to drive passionately straight through the last climax to the end. Not a performance for the faint-hearted.

After the interval, with Masur the dominant personality, Shostakovich's Thirteenth Symphony made up in sustained, cumulative power what it may have lost in bite. If the Soviet Union does undergo a radical change, this symphony will stand as a frightening indictment of all that life meant there in the post-Stalinist era.

Richard Fairman

Michael Vyner

COVENT GARDEN & RADIO 3

Sunday's London Sinfonietta concert at the Royal Opera House was a tribute to Michael Vyner, who died last October at the age of 46. He was for 17 years artistic director of the London Sinfonietta: an orchestra devoted to 20th-century music of all kinds and fashions, played (and programmed) with boldness, authoritative style and total belief. Under Vyner's idiosyncratic, hands-on leadership the Sinfonietta became the most important concert-giving body in London – and the most stimulating, the most horizon-widening, the most *essential*.

In this regard it is impossible to make exaggerated claims for the orchestra's achievement, or Vyner's: the list of Sinfonietta commissions and first performances, the roll-call of affectionate tributes in Sunday's programme (by composers from Boulez and Carter to Martland and Holt), and indeed the very composition of Sunday's concert programme are enough to prove the point. He was a man widely loved for his wit, infectious enthusiasm and appetite for artistic adventure: the Sinfonietta in his time was not an hermetically sealed musical laboratory but an organization created to demonstrate the *enjoyableness* of modern music.

Of this, too, Sunday evening provided apt reminder. It was a three-and-a-half hour event, characteristically over-generous (a fault of a wholly Vynerish kind) and stuffed with goodies in a way that makes the space-pressed reviewer's task a pleasurable agony (ditto). In happy recall of the great Sinfonietta Ravel, Weill, and Stravinsky retrospectives, we heard *Mother Goose* (exquisitely fashioned under Bernard Haitink), the *Kleine Dreigroschenmusik* (thrown off with terrific bite and freshness under Simon Rattle), and the *Symphony of Psalms* (the finale of the evening, under Esa-Pekka Salonen). Witold Lutoslawski conducted *Chain I* (1983), a work of Haydn-like humour and inventiveness dedicated to the Sinfonietta.

The rest was new works, mostly brief, and written for the occasion. The concert began with Maxwell Davies's solemnly beautiful *Threnody on a Plainsong for Michael Vyner*, and along the way studded its path with such tiny gems as Berio's *Leaf*, a bright, small array of chords for solo piano (Paul Crossley), and Oliver Knussen's *Secret Song* for solo violin (Nona Liddell), a tender tracery of recollections from violin solos past – Vyner himself was a violinist. Nigel Osborne's *Eulogy* combines keening, Hebraic-sounding wind and solo violin and fiercely hieratic brass in a stretch of unsentimental elegy that is extremely impressive.

Other new pieces by Henze, Takemitsu, and Gorecki must wait for another occasion for the space they deserve. There must be a last word, however, for Birtwistle's *Ritual Fragment*, which seemed to leave the evening with a crowning new masterpiece. A conductor-less ensemble led by the interventions of a big drum and based on a "continuo" of piano, cello, and double bass is put through a series of orchestral roles that are defined and expanded by the players' exchange of material and actual seating places. It is complicated to describe and awesomely "right" to hear and watch: tough, logical, simply enthralling.

Max Loppert

ARTS GUIDE

May 4-10

MUSIC

London

The Philharmonia conducted by Eliahu Inbal, with Mitsuko Uchida (piano). Kodály, Bartók, Stravinsky. Royal Festival Hall (Tues) (928 8800).

Paris

Gustav Leonhardt (harpsichord). Boehm, Bach, Buxtehude (Wed). Chatelet (40282828).

Brussels

Alban Berg Quartet plays Lutoslawski, Mozart, Smetana. Palais des Beaux-Arts (Wed).

Amsterdam

Orlando Quartet with Isabelle van Keulen (viola) and Harro Ruijsenaars (cello). Brahms (Wed). Concertgebouw (718 345).

Rome

I Solisti Italiani, with Mario Ancillotti (flute) playing Vivaldi, Porena, Mercadante and Donizetti (Wed). Teatro Olimpico (393304).

Florence

Maggio Musicale. Myung-Whun Chung conducting Janacek's *Messa Glagolitica* with soprano Katerina Ikonomou, mezzo-soprano Nina Romanova, tenor Vitalij Tarashenko and bass Sergei Martynov. Ravel's Daphnis et Chloe suite no. 2 and Messiaen's Les Offrandes Obliées (Tues).

Madrid

Symphony Orchestra of Budapest. David Lively (piano). Andras Ligeti conducts. Bartok (Tues). Auditorio Nacional de Musica (337 01 00).

New York

New York Philharmonic conducted by Yuri Temirkanov with John Lill (piano). Slonimsky, Beethoven, Prokofiev (Tue); Zubin Mehta conducting with Alfred Brendel (piano). Brahms, Bartok, J.C. Bach (Thur). Avery Fisher Hall, Lincoln Center (874 6770).

Washington

National Symphony Orchestra conducted by Hans Vonk with William Steck (violin). Ravel, Martinon, Beethoven (Tue); Yuri Temirkanov conducting with Alicia de Larrocha (piano). Weber, Mozart (Thur). Kennedy Center Concert Hall (467 4600).

OPERA AND BALLET

London

Royal Opera, Covent Garden. Michael Hampe's staging of *La Cenerentola* (borrowed from the Salzburg Festival) is not well served by its London incarnation. Conducted by Carlo Rizzi.

Paris

Bastille Opéra. The newly inaugurated controversial opera house presents Janacek's mystical *Katia Kabanova* in which sensuous love is followed by remorse and guilt and a final tragedy (40011616).

Venice

Teatro la Fenice. Claude d'Anna's production of Verdi's *Ernani* conducted by Donato Renzetti, with Giovanna Casolla and Renato Bruson (5210161).

Madrid

Teatro Lirico Nacional la Zarzuela. This week's programme includes Tchaikovsky's *Pikovaya Dama* conducted by Miguel Angel Gomez Martinez. It is a production of the English National Opera and has a cast led by Yuri Marusin, Elena Obraztsova and Natalia Troitskaya. Ends May 16 (429 82 25).

Berlin

Opera. *Die lustigen Weiber von Windsor* is a well done repertoire performance. Hans Werner Henze's music drama *Das verratene Meer*, specially composed for Berlin is jointly mounted with La Scala, Milan, and will have its world premiere this week produced by Götz Friedrich. Also offered *Der Barbier von Sevilla* and *Tosca*.

Bonn

Opera. Jean Claude Riber's *Das Rheingold*, part of the new cycle, was well received when it opened last week with Siegmund Nimsgern, Urban Malberg, Christer Bladin, Hanna Schwarz, Manfred Schenk and Graham Clark. *Madame Butterfly* returns in Marco Arturo Marelli's wonderful production. Further offered Youri Vamos' ballet *Coppelia*.

Munich

Bayerische Staatsoper. *Der Freischütz* features Gabriele-Maria Ronge and Walter Raffeiner. *Turandot* is sung by Ghena Dimitrova and Lando Bartolini. *Der Barbier von Bagdad* has a first-rate cast led by Lucia Popp, Cornelia Wulkopf, Kurt Moll and Claes H. Ahnsjoe. *Le Nozze di Figaro* stars Lucia Popp, Delores Ziegler, Barbara Bonney and Bernd Weikl.

Frankfurt

Opera. *Otello* stars Rene Kollo in the title role, FrederickBurchinal, Allan Glassman, Helena Doese and Manfred Schenk. *Rusalka* has a strong cast led by Eva Randova, Manfred Schenk and Eliane Coelho. Schoenberg's rarely played *Moses und Aron* produced by Herbert Wernicke was very successful, when it opened last week with Gerhard Faustich (Moses) and William Cochran (Aron).

New York

American Ballet Theatre. The 50th anniversary season includes in its first week Mikhail Baryshnikov's *Giselle*, along with the revival of Sir Kenneth MacMillan's *Birthday Offerings*, originally commissioned for the 25th anniversary. Ends June 30. Opera House at Lincoln Center (362 6000).

New York City Ballet. With a repertory still heavily steeped in Balanchine, the company features a festival of Jerome Robbins's ballets in the middle of a season that lasts till July 1. New York State Opera House, Lincoln Center (870 5570).

OBITUARY

Sir Reginald Goodall

Sir Reginald Goodall, CBE, the conductor, who died on May 5 aged 88, was born at Lincoln in 1901, sang as a chorister in the cathedral, studied at the RCM in London, and spent some time as a student at Munich, Salzburg and Vienna, observed eminent conductors and worked as an accompanist.

In London, he became assistant to Albert Coates and, for the Royal Choral Society, to Sargent. Many years later, after the war, he was to perform a similar service abroad for Furtwängler, Knappertsbusch and Clemens Krauss.

Goodall's big chance came in 1944 when Joan Cross called him to Sadler's Wells. There, in 1945, he conducted the first performance of Britten's *Peter Grimes*, a landmark in British music. Next year he shared with Ansermet the musical direction of Britten's *The Rape of Lucretia* (created at Glyndebourne by what was to become the English Opera Group), and joined the music staff at Covent Garden under Rankl, conducting among other operas *Manon, Fidelio* and *Wozzeck*.

Under the Solti Régime at Covent Garden, however, Goodall virtually disappeared from view. Happily, his work as répétiteur and coach, little though the public may have been aware of it, brought sterling benefit to a generation of singers and orchestral players.

By the time he conducted a *Parsifal* revival for the Royal Opera in 1971, Goodall had become guest conductor for Sadler's Wells (and in due course for the ENO at the London Coliseum). The 1968 *Mastersingers* (in English) revealed what some already suspected, that he was a Wagner interpreter of exceptional quality. The ENO English *Ring*, assembled over the intervening years and given in its entirety in the two cycles Goodall conducted in 1973, confirmed this beyond doubt.

He conducted single performances at Covent Garden in 1975 of *Rheingold* and *Walküre* and a memorable *Tristan* for the Welsh National Opera at Cardiff in 1979. The effect of his English *Tristan* in London (ENO, 1981) was diminished by indifferent production. Illness forced his withdrawal from the *Parsifal* he was preparing with WNO for 1983, though Decca was later able to preserve his performance on record. He was knighted in 1985.

This shy, withdrawn, morose-looking man possessed to an extent unrivalled in recent decades the full sense of Wagnerian amplitude. His usually slow speeds worried some listeners (and no doubt some singers) but the true groundswell that eludes many competent interpreters was unmistakably present.

FINANCIAL TIMES

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Tuesday May 8 1990

The quest for security

IT WAS always clear that tidying up the mess left by the popular revolutions in Eastern Europe would be a formidable task. In winning their freedom and reaffirming their national identities the people of Eastern Europe have, at one and the same time, destroyed the dividing line between West and East, which enabled each camp clearly to identify its potential adversary.

The virtual disintegration of the Warsaw Pact and the impending unification of Germany has even cast doubt in many people's minds on the need to maintain Nato. At the very least, the Atlantic Alliance will have to be thoroughly refurbished if it is to play a useful role in tomorrow's world.

Where the people of Eastern Europe have left off, the diplomats have now stepped in. A bewildering array of meetings, some of them at summit level, has been arranged over the next seven months in a bid to put some order into the confusion. In spite of the different forums in which they are being held, they are all inter-connected.

There is little point, for instance, in discussing a new East-West security structure at the scheduled summit of the Conference on Security and Co-operation in Europe (CSCE) at the end of the year unless an agreement has first been reached on reductions of conventional forces. Indeed, a formal link was established between the two by Nato Foreign Ministers at their meeting in Brussels last week.

Nor would the prospects for the CSCE meeting be very bright if no agreement had been reached by the time it took place on the external aspects of German unification, in the so-called "2 plus 4" talks between the two Germanys and the four Second World War allies.

German problem

The problem of Germany is central to all these discussions, as it has been to Nato's policy throughout the 41 years of its existence. Next month's Nato summit is due to discuss the alliance's future military strategy and political role. Yet it cannot make any definitive decisions as long as it remains unclear whether a united Germany will remain a member of Nato.

The first "2 plus 4" ministerial meeting in Bonn at the week-end brought some encouraging signs of a compromise in the offing on this issue. Mr Eduard Shevardnadze, the Soviet Foreign Minister, is no longer holding out for a formal peace treaty with Germany, but is prepared to accept the much simpler and faster procedure of a settlement terminating the rights and responsibilities for Germany of the four victorious allies. Though Mr Shevardnadze officially stuck to his rejection of the Western position that it was up to a united Germany to decide whether it remained a member of Nato, he is reported to have suggested that a decision on the military status of a unified Germany could be put off during a transitional period of some 5 years. In other words, it need not be defined before the merger of the two halves of the country takes place.

Free decision

As long as Moscow recognises that a united Germany will be free to make its own decision on Nato membership at the end of this transitional period, this is a solution which should be broadly acceptable to the West. Indeed, it is very much in line with proposals made recently by Mr Hans-Dietrich Genscher, the West German Foreign Minister.

The Western powers, with everything going their way at the moment, must be careful not to push the Russians too far. Mr Shevardnadze's warning that "emotions could boil in our country," with its memories of millions of dead at the hands of Nazi Germany during the Second World War, is clearly not a completely idle threat.

The growing difficulties that Mr Mikhail Gorbachev is facing at home make it all the more important that he is not obliged to swallow terms for German unification which are not acceptable to his domestic audience. The conciliatory noises made by Mr Shevardnadze over the weekend suggest that the West can attain all its objectives, while saving the Russians' face at the same time.

A blind spot on gas imports

THE DEPARTMENT of Energy is one of the last bastions of protectionism and central planning in Britain. That is the conclusion which seems to follow from the department's pavlovian reaction to the news that British Gas may wish to import large quantities of Norwegian gas from the mid-1990s.

Mr John Wakeham, Energy Secretary, went out of his way to restate Government policy on gas imports to the House of Commons last Wednesday. "In considering any import proposals," he said, "we shall weigh carefully the availability of competitive UK Continental Shelf gas supplies and the market opportunities open." In other words, the UK should not allow imports to compete with a quantitatively adequate domestic supply. A Soviet central planner could only nod in accord.

On this issue the Energy Department seems to have remained untouched by one almost universally applauded principle of Government policy during the past decade. Commercial decisions are best made by economic agents, whether companies or individuals, not by Whitehall.

The Government's reaction is particularly unfortunate because, partly thanks to its own actions, competition is edging into the British industrial gas market this year. Between them, the Energy Department, the Monopolies and Mergers Commission and the Office of Gas Supply, the industry regulator, have applied pressure over the past 18 months to rectify the mistake made in leaving British Gas as monopoly controller of the gas market at the time of its privatisation in 1986.

Constraints

By forcing British Gas to publish a fixed schedule of prices for large industrial users, the authorities have constrained the company's ability to keep out competition by abusing its market power. By insisting that British Gas must contract for no more than 90 per cent of gas from new UK fields, they have ensured that potential competitors have access to gas supplies.

These constraints on British Gas bore fruit this year when Quadrant, a joint venture between Esso and Shell, became the first concern to sell gas directly to industrial customers using British Gas's pipelines. A handful of other competitors, most of them also North Sea producers, are waiting to follow suit. The new interest in using gas for electricity generation for both commercial and environmental reasons will encourage British Gas's competitors to treat this market seriously.

Competitive market

British Gas's wish to be allowed to import gas from Norway fits into the evolution of this competitive market. It will put pressure on North Sea producers to sell their gas to a wider range of distributors. It will also encourage British Gas's potential competitors to seek cheaper supplies abroad.

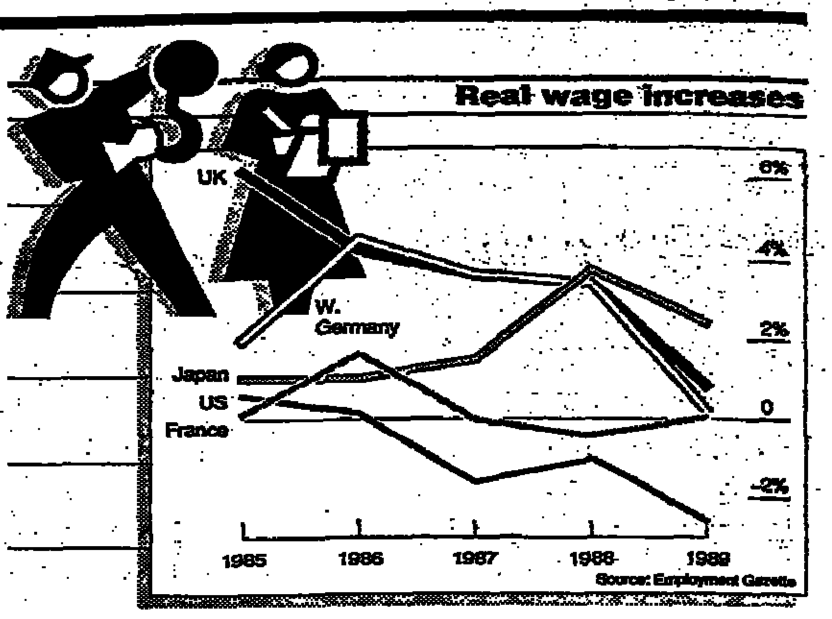
While British Gas accepts the Government's argument that there is enough gas in the UK sector of the North Sea to meet the country's immediate needs, it wants to have a large baseload supply from Norway. It does not wish to rely completely on new UK fields, which tend to be relatively small. British Gas is raising these issues now because gas from the Frigg field, the only substantial imports from Norway it has been allowed to make, is in rapid decline.

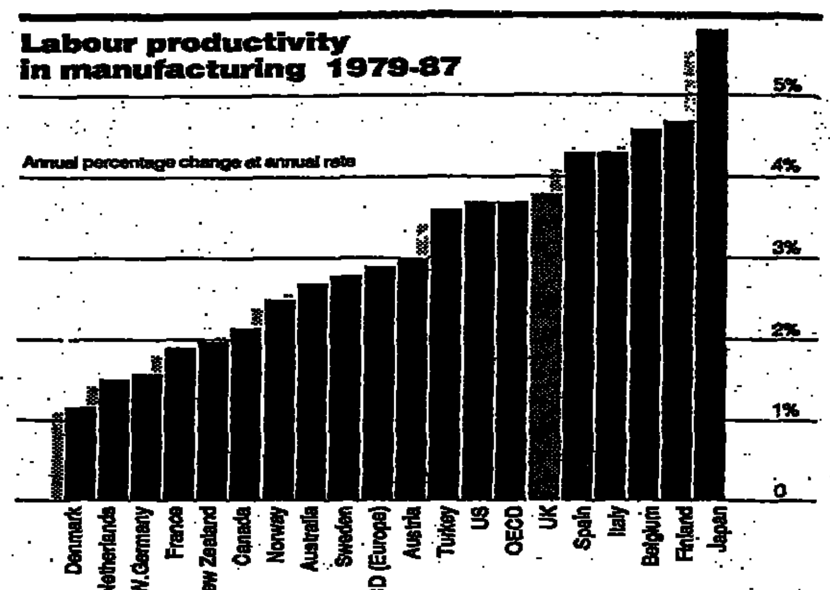
So far, the Energy Department has not advanced a convincing argument to stop British Gas doing as it wishes. One fear is that large imports of gas could delay the development of more marginal UK fields, but it is wrong-headed to look at this as a penalty to the British economy. On the contrary, gas imports would allow gas users in Britain access to large volumes of cheap Norwegian gas in the short term, while more marginal British fields could be developed once the cost of gas has risen in the medium term.

The Energy Department was falling back last week on an old chestnut: since gas markets overseas are closed, it saw no reason to open up Britain's gas market. A more compelling response to the present, delicately poised situation in Europe would be to use British Gas's wish to import as a lever to hook Britain into the Continental gas grid.

FT writers on hours cuts in Britain and West Germany

More work, less time





One day last week, Mr John Walsh was ill. A year ago his absence would have significantly hit production at Hives Bearings, his Wolverhampton employer. Last Monday, it did not really matter.

Mr Walsh, 38, one of just nine skilled workers at the plant, had not suddenly become a slacker. Hives's ability to shrug off the effects of employees' absences results from a recent agreement which enables skilled workers to cover fully for colleagues. Such levels of co-operation are comparatively rare and would have been impossible at Hives just a year ago.

The change has helped to raise productivity by 30 per cent in the first three months of this year, say Hives. Partly as a result, the company recently promised its 40 shopfloor employees the phased introduction of a 37-hour week, confident that productivity can be increased.

The harmony at Hives contrasts with the acrimony that has surrounded talks on hours cuts at some other UK companies. Although several large employers, including Rolls-Royce, British Aerospace and Lucas, have agreed 37-hour deals, they have often done so after industrial action, or threats of it.

The pressure of stoppages has inevitably raised the question: have companies bought industrial peace by conceding deals which will depress productivity? To be self-financing, a two hour cut in the 39-hour week has to be accompanied by a 5.1 per cent productivity rise.

Over the past 10 years, productivity growth in UK manufacturing has been about 3.8 per cent a year, according to the Organisation for Economic Co-operation and Development. In order to be strictly self-financing, the hours cuts will have to be compensated by extra gains. How justified, then, are the claims of self-financing deals? The answer is of vital importance to thousands of companies throughout Britain which face increasing pressure to cut hours.

The pressure comes from a group of unions whose confidence has been boosted by what has been a surprisingly effective series of strikes. When they announced last year that they were planning ballots, few thought that they could win majorities in favour of action – let alone obtain anything better than the 37½ hour weeks they had already been offered in national talks.

In the event the unions have won strike majorities in 14 of the 15 plants where they have balloted manual workers. And, although 37-hour deals have been achieved in less than 200 plants, covering perhaps 100,000 of more than 1m manual workers in engineering, no one doubts that the trend will grow. Skill shortages are one factor; if one factory makes its employees work longer hours than another down the road, it will be at a recruitment disadvantage.

A more powerful motivation for companies is the unions' threat to carry on striking until every engineering worker in Britain works 37 hours or less. Some companies feel that a shorter working week is inevitable and that they will benefit by being among the first to introduce it. Darchem, a Darlington components manufacturer, agreed a deal last December even though there was no immediate prospect of a strike.

Mr John Myatt, group personnel manager, says: "We felt we should take the initiative, rather than have an hours deal forced up on us. By giving it earlier we feel we got more co-operation from the workforce."

Unlike the workers affected by most deals, Darchem's 900 manual employees in engineering will not get an immediate reduction in working time. The first hour's reduction will be introduced in December and by then the company says it will have been paid for by such measures as greater team work and more self inspection.

The trading of hours reductions for changes in specific working practices is a strong feature of the companies' proposed deals. The Rover Group, for example, wants to be the first UK car producer to introduce 7-day-a-week shift working among production employees so that it can satisfy demand for its newly-launched 200 and 400 series cars.

The cost saving advantages of continuous production are such that, together with agreed measures such as increased production line speeds, the 37-hour deal would pay for itself almost immediately. Rover's confidence of that fact has enabled it to agree an immediate two-hour cut for most workers. Although workers at Rover's Longbridge plant last week voted to reject the proposal, union support should ensure its eventual acceptance, even if in a slightly modified form. Virtually all other companies are introducing the cuts in stages, usually over several years.

Few companies are looking for measures that could have such a significant impact as Rover's continuous working. The problem for them has been to put together a series of measures which add up to a self-financing package. This has led to complicated negotiations and, in the case of British Aerospace's aircraft arm, lengthy strikes. Examination of BAe's deal at Preston shows that the wait may have been worthwhile.

Like many deals, the BAe Preston agreement makes fuller use of working time by reducing tea breaks and requiring employees to work right up to the end of a shift. Previously, workers would start packing up well before the end-of-day bell. According to Mr Tony McCarthy, personnel director, workers are sticking to the deal: "The culture at Preston is that if they fight you, they fight you hard. When the dispute is over, however, they are with you all the way."

Analysts believe bell-to-bell working and the abolition of a daily 15-minute tea break will pay for perhaps as much as 100 of the 120 minutes by which the employees' week will eventually be cut. The deal has also enabled the company to: introduce cashless pay; stagger meal breaks to ensure more productive use of capacity; abolish a series of payments for working in adverse conditions; change shift patterns when required; and further erode job demarcations.

BAe will not say how much it estimates the measures in the Preston deal are worth. However, some analysts believe that the deal will more than cover its costs. The BAe agreement is believed to be one of the more successful arrangements from the management's point of view, but the view in the City is that most, if not all, companies could reach self-financing deals.

Industry's apparent ability to pay for the hours cuts within the deals themselves is not necessarily surprising. After all, the 5.1 per cent productivity improvements needed can be spread over several years, as the hours cuts are phased in.

But the hours deals present a separate cause for concern over costs. Companies have won improved productivity in the past decade largely through changes in working practices which the unions have approved as part of above-inflation pay agreements. Rise in unit wage costs were held down by the productivity gains in this bargaining process.

In many of the current settlements, hours reductions are being negotiated quite separately from pay. This reduces the scope for companies to offset pay rises with other productivity gains. Unless they can hold pay increases below the rate of inflation – a difficult feat with engineering workers in short supply – companies which have conceded hours cuts face rises in unit wage costs.

The problem is summed up by Mr Ron Garrick, chief executive of Weir Group, which has just agreed a 37 hours deal at its Alloa factory after a strike threat, and will soon be entering wage talks there. "We have done our best to make the hours deal self-financing but employees also want a big pay rise," he says.

"If we were to concede anything above inflation, there is no way we could keep unit labour costs down. Meanwhile our overseas competitors are enjoying inflation rates considerably lower than our own and they are increasing productivity."

Michael Smith

Showing mettle in Germany

At the end of 1995 most of West Germany's 4m metal and electrical industry workers will start working a 35-hour week. IG Metall, the country's largest trade union, has once again set a new benchmark for organised labour in Germany and around the world – and justified its description as "most powerful union in Europe."

Last week's agreement for the Stuttgart region, which will set a pattern for the whole metal industry, is also a victory for West Germany's consensus-based industrial relations system. It is, after all, more than 11 years since workers there first downed tools in pursuit of the magic 35 hours. German metal industry employers complain that their employees work the shortest hours and are the highest paid in the world. But the long phase-in of the 35-hour week has enabled them to raise productivity steadily to compensate for the shorter hours.

Thanks to their soaring profits and overflowing order books the employers have also had to concede a 6 per cent pay increase over 10 months. But unit labour costs, where Germany stands in the middle of the international field, are unlikely to rise significantly and the share of wages in national income will probably continue to fall.

The employers have also made some gains on flexibility. Just under 20 per cent of workers in any given plant will still be working a 40-hour week – with correspondingly higher pay. The gradual spread of regular Saturday shifts (favoured mainly by the car industry) is likely to continue as IG Metall failed to win a nationwide ban. But many smaller employers complain that it is more difficult to absorb the cut when working only a single shift system (as 80 per cent of the metal industry does).

The metal industry employers say that their annual working time of 1,642 hours is the lowest in the industrial world and 114 hours below the EC average, even excluding Portugal, Greece and Ireland. They had argued that a further reduction in working time should only be negotiated when the difference with the rest of the EC is cut to 60 hours.

IG Metall has turned the argument around and said that since West Germany has the highest productivity of any large country in the EC and, judging by its trade surplus, the most successful industry, it should continue to lead in improving working conditions.

The union has also argued that cutting the working week could help to reduce unemployment – still hovering around 2m, and facing upward pressure from the influx of East Germans and the increase in the number of working women. According to the union about 200,000 jobs were created or saved between 1984 and 1989 as hours fell from 40 to 37 a week.

Most economists would put the figure lower but concede that there is some job creation effect. Employers sometimes admit as much as well; at a recent press conference the steel division of Thyssen said that it had created 1,400 new jobs as a result of recent reductions in working time.

However the employers also argue that in the longer run, reduced working time merely speeds up the replacement of labour with capital. In the short run, they say it can exacerbate skill shortages.

Nevertheless the flourishing state of the German metal industry – despite dire predictions from employers over previous cuts in the working week – made a generous deal on pay and hours unavoidable. It might have had to be more generous still if the union had not been weakened by a new law which prevents it closing a few key plants and thus crippling whole industries, as it did in 1984.

Also, although the negotiations continued oddly unaffected by the momentous events in East Germany, the workers' readiness to strike might well have been reduced as a result of political uncertainties surrounding the integration of East Germany.

Other groups of West German workers will probably soon be following IG Metall's lead. The average working week is now about 38.6 hours but the print workers, currently at the warning strike stage, will probably also win the 35-hour week, perhaps phased in over an even longer period. Next year the chemical workers are likely to win the 35-hour week commencing in 1996.

After more than a decade of battle IG Metall will be relieved to turn to matters other than working time, to which it is not likely to return until the next century. It will now have more time and resources to shore up its sister union in East Germany.

The union also wants to concentrate more of its clout in "product co-determination," which means extending the system of union-management joint decision making to what companies actually produce. IG Metall is especially interested in plans for longer-lasting, environmentally friendly, cars. In the coming years, it may be less visible but it is unlikely to be much less powerful.

David Goodhart

OBSERVER

Silver lining in the City

■ The City of London, once England's craft centre, only has one silversmith left who makes and retails his wares in the City itself. Actually it's a she, Sarah Jones.

It is exactly ten years since she opened her shop in Basinghall Street as an outlet for her workshop in Old Street, where she works with two assistants. And she tells me that business runs strictly counter to the wider economic cycle.

Despite all the doom and gloom, this year looks like being quite good. Last year was bad, while the year before that was also good even though the City was smarting in the wake of the 1987 market crash.

"Perhaps people are inclined to buy things of lasting worth when times are bad," she says.

Her customers are mostly well-heeled City types, many of them middle aged men evidently buying on an impulse. There is also a liberal sprinkling of yuppies, foreign bankers and, at times, secretaries.

Jones specialises in ornamental ware with City motifs like dragons, and decorative pieces with a touch of whimsy. She has just done a new set of Wagnerian tableware: a silver goblet with Rhinemaidens, and salt sellers clutched by Nibelungen dwarfs for an anniversary exhibition later this month.

Her biggest problem is soaring City rents. Her landlords are the Goldsmiths Company who are rather unhelpfully jacking her rent up by 150 per cent this year because they say demand for retail space in the City is intense. The one consolation is that the price of silver bullion is slack.

Too many words

■ There must be an economic law which can be developed to link the size of a country's monetary problems to the amount that is written about them.

Consider the evidence. At one end of the scale there is the UK where the volume of monetary analysis is literally torrential but where monetary malaise is endemic. At the other, take a country like Germany where there is relatively little public debate about monetary policy because everyone knows what they want, and by coincidence or consequence, there is monetary stability.

The US fits into a slot somewhere in between, with a slightly less clamorous monetary debate than the UK, and a bit more stability. But the really interesting case is Japan whose recent monetary problems have been accompanied by a massive growth in analytical noise.

I have long thought that the UK would benefit by stuffing a few socks into the loudest mouths. But I suspect that it may be in the British character to prefer lots of lively monetary debate to boring zero inflation. Come to think, what will all those analysts write about when we do finally join the EMS?

Building blocks

■ I have learnt a lot about the construction industry in the last year. My office overlooks a building site where Lloyds Bank have, over that time, filled a deep muddy hole with an office block which has obliterated what little view I had of the Thames and Southwark cathedral.

In particular I have learnt about what I gather is known in the business as "wallpaper architecture". This is the technique whereby you put up a basic framework of steel and concrete against which you stick, wallpaper style, whatever outward appearance you want the building to have: Palladian Palazzo, Regency mansion, Victorian extravaganza or neo-modern squares and circles. Technology has widened the choice to virtually infinite proportions.

"I hate people who've got 081 'phone numbers."

The "wallpaper" for the Lloyds building arrived, literally, by the yard. Lorries rolled up with huge flat slabs of concrete which had been moulded to look like courses of chiselled stone, complete with windows and lintels already in place. These slabs – 15 feet high and twice as long – were stuck against the framework, which in no time took on the appearance of – well – something.

I have to say that the building is turning out to be less offensive than many in the City, and for that I am grateful. But having witnessed its growth every foot of the way, I know too many of its secrets to be charmed.

Figure it out

■ Financial statistics are only interesting when they illustrate a point. Here are a few:

1. Barclays Bank, the UK's largest clearing bank, employs more people than the entire UK building society industry put together. The actual figures are Barclays 116,500 and all building societies 80,000. For that matter, Barclays employs more people than both the Royal Air Force (90,000) and the Royal Navy (64,000). What a depressing reminder of the ballast that we carry in our banking system. On the other hand, perhaps we are getting quite good value out of our armed forces.

2. West Germany is the largest importer of financial services in the world. The actual figures are (for 1987 which are the latest I have) net imports of \$752bn. Second largest was the US with \$580bn and third Italy with \$408bn.

This sheds an interesting – and not very flattering – sidelight on Germany's economic might. It should also cause people to treat institutions like Deutsche Bank with slightly less awe than they do.

For the record, the UK is by far the largest exporter of financial services with \$884bn, nearly twice as much as its nearest rival, the Cayman Islands.

3. At the official rouble rate of exchange, the Soviet GNP is roughly the same size as that of the US. The CIA estimates it to be half the size of the US. But if the black market rate for the rouble accurately reflects its value, the Soviet GNP is equivalent to that of Belgium. Tough task for Gorbachev.

Farewell 01

■ Chaos will doubtless grip London's telephone system today as we wrestle with the switch to 071 and 081. What I still cannot understand is why the entire city had to be given new codes. Why not keep 01 for the centre and just give a new code to the outlying areas?

David Lascelles

The black hole deepens

Peter Riddell on the escalating cost of the US's thriftless thrifts

President George Bush has at last admitted publicly what many in Washington have been saying for several months: the largest rescue in US financial history is going to cost substantially – possibly tens of billions of dollars – more than estimated at its launch last summer.

The rumblings over the reorganisation of the savings and loans, or thrift, industry surfaced when Mr Bush announced a new head of the main Federal agency handling the rescue and confirmed that "a significant review is going forward to see what the costs are."

Some numbers are so big that they lose all meaning. But, while hard to grasp, the scale of the thrift rescue has meaning for the quarter or more of the industry already under Federal control or shortly expected to be, for US taxpayers having to foot much of the bill and for financial and property markets having to absorb the impact of the closure and disposal of tens of billions of assets.

Last August the administration put the total cost for taxpayers and industry at $166bn (£103.7bn) over 10 years. The General Accounting Office, which works for Congress, put the total at $257bn, including interest costs, but now it reckons the cost may be as much as $325bn, and possibly even higher.

This is equivalent to roughly a third of the total US Federal Budget and is higher than current defence spending. Even in inflation adjusted terms, the rescue costs are likely to be double the post-war Marshall plan for Europe, the Penn Central, Lockheed and Chrysler rescues put together.

The thrift crisis results from the deregulation of the 1980s combined with an increase in Federal insurance of deposits up to $100,000. This was almost an invitation to gamble. Reckless new owners engaged in a speculative binge in dubious property projects and high yield junk bonds.

The carousel stopped in 1987 as a result of rising interest rates, a shake-out in the junk bond market and falling property prices, especially in Texas and the south-west. Criminal fraud was found in 60 per cent of the thrifts taken over by Federal authorities last year, three times the rate found in failed commercial banks.

The Bush administration pushed through legislation to tighten regulation and provide money for the rescue. An initial $50bn was approved to last until mid-1992.

The eight-month long rescue has not gone smoothly. In part this is because a dozen separate agencies have been involved. A new chief regulator running the Office of Thrift Supervision was only confirmed last month by the Senate. The two key figures running the Resolution Trust Corporation, which is handling the rescues, will also have changed by the summer.

Tougher regulation has also reduced the attractions of owning savings and loans and increased the number which may fail to meet the new capital requirements. It is an expanding problem.

By most yardsticks, selling or closing more than 50 thrifts with assets of nearly $30bn in eight months is a considerable achievement. But it is only a start given that at least 550 to 600 savings and loans with assets of well over $300bn are expected to come under Federal control. That does not take into account more than 300 thrifts which are under-capitalised under the new rules. The whole industry lost over $19bn last year, with around 30 per cent of the 2,600 thrifts *not* under direct Federal control unprofitable.

In an interview with the Financial Times last week, Mr Nicholas Brady, the Treasury Secretary, denied that the rescue was stalled. Noting that the RTC is already bigger than all but one US bank, he says: "you've seen the growth of an enormous enterprise in a very short period and there are some shakedown . . . problems which are to be expected. They'll be be cured and we'll move on."

There is some justification for Mr Brady's hopes. Mr William Seidman, the retiring head of both the Federal Deposit Insurance Corporation handling commercial banks and the RTC, announced an accelerated programme – what Mr Bush called "the June 30 project" to dispose or close 141 thrifts in the current quarter. But this will leave many of the least saleable and loss-making assets with the RTC.

Mr William Taylor, since mid-February acting president of the policymaking Oversight Board of the RTC, has agreed more flexible guidelines to assist potentially saveable thrifts and to encourage the purchase of others. President Bush last week strongly backed him to take over from Mr Seidman running the full RTC. Mr Taylor, the Federal Reserve's head of banking supervision, is an experienced regulator who gives an impression of open-mindedness about speeding disposals.

This still leaves the unpalatable question of cost. Mr Brady acknowledges that "it will be more expensive than we originally thought. There is no way we could have foreseen that: you have got to get into the *details to figure it out.*" Interest rates have been higher than expected and property prices weaker with the downturn spreading from the south-west up to New England. This raises the immediate cost, and also means that disposal proceeds will be lower if sales are made into a depressed market.

Moreover, if the pace of rescue is accelerated, this will require more money to pay off depositors, shut down thrifts and provide incentives to acquirers. The RTC is, for example, borrowing around $50bn in working capital in the current quarter for its accelerated rescue programme. This *has a big effect on the* Treasury's overall borrowing needs and hence on interest rates.

The administration is revising its cost estimate – in practice a fluctuating figure. But sooner, or more likely later, after this November's mid-term elections, the White House and Congress will have to agree on how far the rescue should impinge on the reduction of the Budget deficit and on the provision of tens of billions more in taxpayers' money over the next few years – while at last tackling the deposit insurance system which is at the root of many of the problems.

Sorting out the savings and loan excesses of the 1980s may account for a good slice of the peace dividend of the 1990s from the end of the Cold War. As Mr Seidman warned, on Friday, it is going to be "a long hard job."

FOREIGN AFFAIRS

The right to dispose of themselves

Edward Mortimer re-examines a concept embedded in 20th-century political thought

One of the first great gaffes of my journalistic career occurred in the late 1960s when France's President Charles de Gaulle was supporting the Biafra secessionist movement in *south-eastern Nigeria. He did* so in the name of the "droit des peuples de disposer d'eux-memes." My unthinking translation of this as "the right of peoples to dispose of themselves" applied all too well to the hapless Biafrans, as the diary column of another newspaper inevitably pointed out.

The correct translation would have been "the right of peoples to decide their own destiny," or simply "the right of self-determination." Hardly a day can have passed without that right being invoked by someone somewhere in the world, since the day in 1917 when the Allies adopted it as a war aim in order to win over an idealistic US President, Woodrow Wilson. Yet it is seldom granted without a bitter struggle.

Among those who proclaimed their belief in it was Vladimir Ilich Lenin, who undertook the destruction of the Empire of All the Russias, that "prison-house of nations." Having achieved that, he proceeded to put most of it together again as the Union of Soviet Socialist Republics, supposedly a voluntary arrangement. This of course was fiction: the decision to join was not taken freely by the peoples concerned, but on their behalf by Bolshevik governments which had seized power by force, usually with the help of the Russian Red Army. Lenin and later Stalin could afford to enshrine the right of self-determination, and even of secession, in the Soviet constitutions. So long as all the republics were governed by the same highly centralised all-Union communist party, with its headquarters in Moscow, there was no danger of this right being exercised.

Yet Lenin did recognise the independence of Poland and Finland; and of the three Baltic republics, under "bourgeois" governments, after the collapse of the shortlived Soviet regimes established there in 1918. In 1920 he signed peace treaties with all three of them, establishing a kind of neutral buffer zone between Soviet Russia and the capitalist world. That arrangement lasted exactly 20 years before Stalin snuffed it out, through the Molotov-Ribbentrop Pact.

Now the Lithuanians, Latvians and Estonians, freed from the rule of the centralised all-Union communist party, are seeking to exercise their right of self-determination and go back to the arrangement which Lenin blessed. In other areas of policy President Gorbachev is seeking to discard Stalin's legacy, while claiming to preserve a hard core of Leninist legitimacy. It seems tragically unnecessary that in this one area he should ignore Leninist precedent and insist on legitimising the result of Stalin's crimes; and doubly cruel that Western commentators should feel entitled to dismiss those 20 years of Baltic independence as a historical aberration, implying a strange new realpolitik doctrine under which one is entitled to violate treaties provided one does it within a certain timespan (30 years? 50 years?) after their signature.

Yet the Baltic case does illustrate some of the pitfalls inherent in the principle of self-determination. That principle is usually understood to mean allowing the inhabitants of a given territory to decide which state they wish to belong to, or whether they wish to constitute a separate state of their own. But who is to qualify as an inhabitant? How long do you have to have been there, and does it matter how or why you arrived? One reason why the Baltic peoples are in such a hurry to exercise their right of self-determination is that they fear being outnumbered in their own countries if they leave it much longer. In Latvia that point is already very close, with the result that the pro-independence Latvian leadership faces much more serious internal resistance than its Lithuanian counterpart.

It seems clearly contrary to natural justice that Russian settlers, who have moved in since the forcible incorporation of Latvia into the Soviet Union, should be able to legitimise that act of force and make it permanent. Yet the fact is that most territory in the world was forcibly occupied by its present inhabitants or their ancestors, if one goes far enough back, and there is no clearly established criterion for deciding just how far back one should go. Many Arabs still contest the right of the Israelis to self-determination where they now live, on the grounds that their arrival there involved a denial of the same right to the Palestinians. The rest of the world tends to reject that argument, at least as far as it affects the territory originally occupied by Israel in 1948. Will time eventually give the same patina of legitimacy to Israeli settlements in the extra territory occupied in 1967. If so, how much time? If not, why not?

It seems tragic that in this one area Gorbachev should ignore Leninist precedent and insist on legitimising Stalin's crimes

Even more difficult is the delimitation of the territory whose fate is to be decided, in cases where the national minority constitutes a regional or local majority. The talk of secession from Estonia by a region with a Russian-speaking majority evokes a whole string of grisly precedents from Ulster to Katanga to Mayotte. In Africa the possibilities of subdivision are so infinite that in 1964 the Organisaton of African Unity decided self-determination should be exercised only within the admittedly arbitrary frontiers inherited from the colonial partitions. Only Somalia, considering itself the core of a historic nation parts of which are now in Djibouti, Kenya and Ethiopia, objected. But in practice Ethiopia did not respect the frontiers of Eritrea, a former Italian colony, nor Morocco those of the Western Sahara, a former Spanish colony. Wars of self-determination in both those territories continue.

Another familiar argument encountered by the Baltic peoples is the claim that they already exercised their right of self-determination (by "opting" to join the Soviet Union in 1940), and should not now cause trouble by reopening the question. Similarly Palestinians are told (by Zionists) that they were offered a state of their own by the UN in 1947 and failed to take it up. Even the Kurds may be held by some to have forfeited their right to self-determination by not asserting it immediately after the collapse of the Ottoman empire, when most of the present frontiers in the Middle East were drawn. The factual premises of such arguments tend to be highly debatable. But even where they are accurate it seems questionable whether one generation can sign away the rights of its descendants in perpetuity.

And then of course there are groups which think of themselves as nations but are not geographically concentrated enough to form a majority in any particular territory. Such was the case, for instance, of Jews before the creation of Israel, of Armenians in the Ottoman empire, of Turks in Cyprus before 1974. The unwritten 20th century law of "one nation, one state, one territory" has driven such groups to huddle together in more or less artificial "homelands", fleeing from their homes elsewhere and expelling or oppressing those of the previous inhabitants who do not belong to their group.

A terrible amount of bloodshed and suffering has been involved in this process, which is still going on in many parts of the world. One cannot help feeling that the unwritten law has been oversold, and that national groups really should be able to enjoy communal autonomy in multinational states without having mutually exclusive control of territory, and yet without massacring each other. Otherwise many more peoples will find, as the Biafrans did, that the "right" of self-determination amounts to no more in practice than a right to dispose of oneself.

LETTERS

EMS club lessons the UK can learn

From Mr J. O'Neill.

Sir, Martin Wolf's article ("Hurdles for Emu to jump," May 3), was interesting and provocative, but extremely misleading about recent and future developments in relation to Emu and the use of the Ecu.

From a historical perspective, it is probably correct to argue that German citizens "must be well aware that a central bank with representatives from Greece, Portugal, Spain, Italy and the UK will not, in practice, have the same devotion to monetary stability as the Bundesbank."

However, as the author implicitly recognises by avoiding mention, Denmark, France and Ireland have, to varying degrees, pursued the same anti-inflation rigour as the Bundesbank in the last few years. Eight years ago, the citizens of these countries Germany, Denmark, France and Ireland would not have expected such devotion.

Using the weighted average inflation of EMS members since 1982, and the difference against West Germany, rapid convergence is clearly shown.

Progress at the same rate in the next three years, especially in Italy and Spain, will mean that by 1993 the EEC – excluding the UK – will have broadly similar inflation rates.

While some may think German citizens are sceptical of the anti-inflation credentials of some EMS members, German investors are possibly the largest suppliers of credit to these countries.

Fund managers in Germany, and for that matter Switzerland, are keen to receive the modest interest rate premium in higher-inflation-rate EMS countries while it still lasts.

It is a great shame that UK authorities cannot see the benefits of the EMS club and by 1993, on current form, the UK will have an inflation rate double that of the rest of the EEC.

If there are *similar* inflation rates and stable EMS parities by 1993, the mass of contracts denominated in national currencies will be settled in a single currency – namely the Ecu – with no economic consequences for member countries or individuals.

The author, along with the rest of us poor UK citizens, suffer from living in a country blind to the ways of the future of Europe.

J. O'Neill,
Director of Financial Markets Research,
Swiss Bank Corporation,
1 High Timber St, EC4

From Mr William Ledward.

Sir, Martin Wolf (May 3) suggests that holders of soft currency-denominated long-term bonds will make a windfall gain when coupons and principal payments are converted into Ecus following Emu – and vice versa for hard currency-denominated bonds.

The narrowing of yield differentials implied by Mr Wolf will not be an overnight phenomenon. Such a process has already been going on for a number of years.

The yield differential between French and German government bonds, for example, is just 0.8 per cent, having been 3.5 per cent at the end of 1987. It will continue to narrow in the run-up to permanently-fixed exchange rates between EC currencies.

Nor is it the case that all EC government bonds will yield the same after Emu.

As long as it is stipulated that EC governments will not financially bail out another EC government, yield differentials will continue to exist on grounds of credit risk – as is the case in other federations.

William Ledward,
Senior European economist,
Nomura Research Institute Europe Ltd,
24 Monument St, EC3

Thrift, sobriety through history

From Mr A.B. Hawkins.

Sir, I quite agree with Mr Montgomerie's call for financial rectitude (Letters, May 3). Those who seem to complain about inflation and high interest rates are usually responsible through their profligate greed.

In this connection it is interesting to note what the historian G.M. Trevelyan had to say in English Social History, first published in 1942.

Writing of restoration England, he states: "The national characteristic of Englishmen, *then as now* (my italics) was not thrift but insistence on a high standard of life." He then quotes Defoe: "Good husbandry is no English virtue. English labouring people eat and drink, especially the latter, three times as much in value as any sort of foreigners of the same dimensions in the world."

The trouble is that governments dare not intervene for fear of losing votes, and insist on maintaining the fiction that we are a thrifty nation, thus indirectly encouraging the very prodigality which it needs to eliminate.

A.B. Hawkins,
8 Caernarfon Close,
Swanwick, Derby

Perpetuating US global power

From Mr H D Shutt.

Sir, The interview with Robert Reich ("How not to help US Inc, April 30) offers an intriguing insight into what may become a key part of US opinion in future international economic relations.

His attitude is a refreshing change from the jingoistic mercantilists and simplistic free traders, but he appears potentially biased in favour of large wealthy countries like the US.

Thus Mr Reich suggests that government encouragement of inward foreign investment *should be regulated* by a Gatt-style code to reduce the danger of "bidding wars."

Presumably the aim would be to minimise, if not totally eliminate, the use of tax breaks and other forms of direct subsidy while permitting more or less unrestricted public investment in education, training, infrastructure and research and development.

Unfortunately, while this might be more ideologically acceptable to most Americans than the direct subsidy of individual enterprises, it would inevitably be seen by smaller countries, particularly LDCs, as a formula designed to benefit bigger industrialised nations. As it is, the US Government's annual R&D spending, much of it in the rather unproductive military sector, exceeds the national income of most LDCs, and even that of smaller OECD countries.

Like the history of Gatt, it seems futile to try and construct a level playing field for free international trade when there are such disparities in the endowments of the players – not to mention in political and human rights.

A more equitable world economic order would result from a determined, if gradual, push towards political and economic integration – of which the EC may be a forerunner – than from the unproductive shadow boxing of the Uruguay Round.

Harry Shutt,
Economic consultant,
Horsham, W Sussex

Grassroot alternatives to Gatt

From Mr Jonathan Taylor.

Sir, Your editorial ("The farm cartel saved again," May 1), suggests that the Gatt Uruguay Round may resolve the problems of the Common Agricultural Policy through the eventual elimination of trade-distorting farm supports, subsidies and tariffs.

Gradual liberalisation of agricultural trade will indeed be welcome.

But it would be a mistake to underestimate the problems of adjustment which would follow.

The difficulties farmers have in producing what consumers want are familiar but, paradoxically, they may be able to respond more flexibly than the agricultural supply industry.

Agricultural producers can alter cropping patterns; take advantage of farm woodland schemes and set-aside arrangements; and even move into leisure and tourism with the conversion of farm cottages or the creation of a golf course.

This cause will be fought, with varying degrees of effectiveness, by the NFU, by MAFF and by DG6 in Brussels.

We run the risk of moving from feast to famine if these and wider issues are not addressed.

Jonathan Taylor,
Chief executive,
Booker plc,
Stag Pl, SW1

Bank lending

From Mr William Rhodes.

Sir, The bold paragraph in my article "Reworking the Brady Plan" (FT, May 4) could have been misleading.

To achieve growth, developing countries will continue to need new bank lending; but they must also keep doing their utmost to attract capital from internal savings, foreign investment and official sources.

William R. Rhodes,
Citicorp/Citibank
Park Ave, New York

FINANCIAL TIMES
Tuesday May 8 1990

Moscow sidesteps unification row

By David Marsh in Bonn

MUCH HAS CHANGED since Mr Mikhail Gorbachev said in October 1988 that "any attempt to erase the border between the two sovereign German states" could have "catastrophic" consequences.

The weekend "decoupling" by Mr Eduard Shevardnadze, the Soviet Foreign Minister, of the external and the internal aspects of German unification adds up to one more recognition from Moscow that German unity is inevitable.

Mr Shevardnadze's statement, at the weekend "2 plus 4" conference in Bonn, that Germany can unite before the question of alliance membership is cleared has been widely seen as a Soviet face-saving exercise. However, buying time may also bring Moscow increased leverage over German public opinion. One western diplomat in Bonn yesterday commented: "This notion of not deciding things, but deferring them, may not be the best approach."

Mr Helmut Kohl, the West German Chancellor, and Mr Hans-Dietrich Genscher, the Foreign Minister, have both given the announcement a warm welcome. Mr Shevardnadze's initiative certainly added to the harmony of the weekend talks. It even restored some limited credibility to the prospect of all-German elections by the New Year.

Timetable for 2 plus 4 talks

June: East Berlin
July: Paris
September: Moscow
October: Washington
November: London

Moscow's step to reverse its stance on making clarity over the alliance question a precondition for unity reflects Mr Gorbachev's own problems at home. With his authority under increasing strain, the Soviet President is anxious to be shown to be holding onto part of the Soviet Union's rights and responsibilities over Germany even after the country has been united.

The Soviet idea is that at least part of these residual rights held by the four victor powers of the Second World War should continue for a post-unification transition period. This could be as short as only two to three years, according to some Bonn officials, although the Russians have suggested informally between five and seven years.

During this period, Germany would remain in a state of limited sovereignty. This would be restored fully only after all questions of Germany's military status had been resolved.

West Germany believes that the idea of maintaining some of the war victors' rights over Germany would have some attraction for Britain and France. "Your great country has rescued its big power status for another two to three years," was the sarcastic comment of one Bonn official yesterday.

Side-stepping the question of whether a united Germany should belong to Nato or the Warsaw Pact may, however, simply postpone tricky decisions over which Germany's western allies have long been growing nervous.

A recent opinion poll showed a sizeable minority in West Germany favours an exit from Nato. A majority in East Germany appear to support this goal. Some of Mr Kohl's advisers believe that "latent pacificism" in East Germany will grow in coming months.

If Mr Genscher's reading of history is right – and over the past three years it has been – superpower confrontation in Europe is now permanently over. On this reading, assuming progress on both conventional and nuclear disarmament talks in the next few years, the stage could be set for a "European peace order" in which both Nato and the Warsaw Pact are gradually dissolved.

Mr Genscher appears unlikely to find much sympathy with the much more cautious British and French line that a Nato military presence will remain essential in the western part of the continent to guard against a flare-up in central Europe. Mr Douglas Hurd, the British Foreign Secretary, listed at the weekend the following "integral parts of Nato which need to be preserved": a US presence in western Europe, the integrated command structure, and a "sensible mix" of nuclear and conventional weapons.

Those points may not command a consensus in a reunited Germany. Another senior western diplomat, closely involved in the 2 plus 4 talks, yesterday commented that there may have been an element of Machiavellianism behind Mr Shevardnadze's move. "They are betting on a peaceful Europe leading to a point where the question of whether the whole of Germany remains in Nato becomes as relevant as the last decision on whether to modernise the Lance missiles."

Lockerbie disaster has cost troubled Pan Am up to $250m

By Paul Betts, Aerospace Correspondent, in London

THE LOCKERBIE disaster has cost Pan Am nearly $250m in losses and seriously undermined the financially-troubled US airline's recovery efforts, Mr Thomas Plaskett, Pan Am's chairman, said in an interview.

Mr Plaskett, who took over as chairman in 1988 and launched the airline's latest recovery programme, conceded that the bombing of the Pan Am 747 over Lockerbie in December 1988 had "a devastating effect" on the airline. "It had an immediate impact on our revenues which continued through most of last year," he said.

Mr Plaskett disclosed that Pan Am had considered scaling back its European services to become "a substantially different airline" after the tragedy. But the airline decided to persevere with its original recovery programme.

He acknowledged he was looking for a partner to help maximise the value of the name Pan Am and the airline's international route system: "But I have never said Pan Am needs a merger partner to survive."

Pan Am held advanced partnership negotiations with both Northwest Airlines in the US and KLM Royal Dutch Airlines last year, but failed to clinch a deal. Mr Plaskett said Pan Am was now examining how it could participate with another European airline to capitalise on its strong position in both eastern and western Europe. Pan Am is the largest US carrier serving eastern Europe.

The airline has recently invested about $220m in product and service improvements and made a further series of asset sales to help shore up the company's teetering balance sheet, which showed a $629.7m negative net worth at the end of last year.

Mr Plaskett said the situation had started to improve by the end of last year with passenger traffic picking up. However, the airline's financial position deteriorated in the first three months of this year and it reported a sharp increase in first-quarter losses to $190.7m, from $151.1m in the first quarter of last year.

Pan Am has reported operating losses in nine out of the past 11 years, and had a net loss of $336.6m last year on revenues of $3.56bn. The operating loss rose by $243m to $306.5m last year from $63.5m in 1988 because of Lockerbie, according to Mr Plaskett.

Earlier this year, the airline sold and leased back three aircraft, raising $65m and rescheduled $106m of debt. It has held talks about selling its internal German service operations. Mr Plaskett suggested the airline would also be prepared to sell its profitable domestic US East Coast shuttle operations, although there were no plans to sell the $400m-$450m revenues a year shuttle business.

He is focusing on building up Pan Am's hub in Miami to take advantage of the airline's strong and profitable position in the South American market at the same time as realigning the airline's international and domestic routes to secure its long-term profitability.

"We can be profitable on our own by 1991, barring any unforeseeable surprises. Our plan is to return the company to profitability and do it by the end of next year," he said.

But financial analysts warned that time was running out for Pan Am which is facing increasingly fierce competition on its traditional North Atlantic and South American routes from other international carriers and especially the aggressively expanionist American Airlines group.

"They've used up eight of their nine lives. It's their last chance," said one Wall Street airline analyst.

THE LEX COLUMN

Giving weight to European unity

The gradual progress towards European monetary and political union raises some interesting asset allocation questions for fund managers. Currently the benchmark figure for UK funds' international investment is 27 per cent of the portfolio, a figure derived from trade flows. Within that, the proportion in other European Community countries (based on market capitalisations) is around 4¼ per cent. But as US fund manager GMO Woolley points out, in a united Europe there would be no real difference between investing in UK and European assets.

Keeping the bulk of one's assets in the UK would then be about as sensible as confining one's UK investments today to companies south of Watford. It would be more logical for fund managers to allocate both the current UK weighting (57 per cent) and the current EC weighting (4¼ per cent) to overall EC investment. Within that, further benchmarks would be set on a market capitalisation basis. Thus, on current values, the UK's weighting would shrink to 24 per cent and the rest of the EC would increase to 37 per cent.

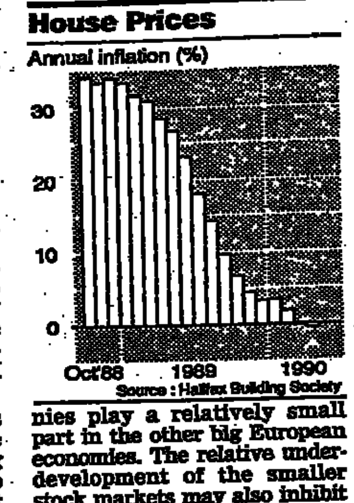
Obviously, complete European unity is the extreme case: but as the process continues, the argument for increasing EC weighting strengthens. The average percentage now invested by UK pension funds elsewhere in the EC is around 8 per cent. But GMO Woolley argues that investors have probably made a tactical decision to go overweight in other European markets, because of German unity and the collapse of communism, rather than a strategic choice to raise the existing benchmark. If a more sensible yardstick for investment in a reshaped EC were, say, 10 per cent, then UK investors could have more buying to do.

One argument is that asset allocation should be based on patterns of consumption, with the proportion of overseas investment matching the proportion of imports in the UK consumer's shopping basket. By itself, that would imply a current EC weighting of 10-11 per cent; and as EC trade flows increase, so will the benchmark. In theory, all this should have no impact on relative market prices, since European pension funds would correspondingly rearrange their portfolios to increase their investments in the UK.

However, there are problems in increasing investment in Europe. By comparison with the UK, publicly quoted companies play a relatively small part in the other big European economies. The relative underdevelopment of the smaller stock markets may also inhibit some investors; and the system of corporate crossholdings may not appeal to UK institutions used to accountable managements. It could be a hard slog to persuade UK pension funds to give up their favourite British blue chips. Over the last twenty years, EC investment has underperformed domestic investment in sterling terms - earning just under a 10 per cent annual total return against 16 per cent in the UK.

In addition, UK companies already offer built-in diversification, with around 45 per cent of the earnings of FT-SE companies coming from overseas. However, the quality of such earnings may be rather lower than a direct investment in the country concerned. It seems a good bet that in ten years time pension funds will have a greater percentage of their portfolios in the EC.

House Prices



Source: Halifax Building Society

Retail demand

The steady stream of corporate casualties in property, retailing, and now the leisure sector, gives the impression of a UK economy which is buckling under the strain of 15 per cent base rates. Similarly, last week's data from the Society of Motor Manufacturers and Traders – new car sales down 8.8 per cent and commercial vehicles sales down 13.7 per cent in the first four months of 1990 – add weight to the argument that high interest rates are finally beginning to bite.

However, the news over the last fortnight from the UK mortgage market – the main engine of credit growth – is far less bearish. Despite record real interest rates, demand for mortgages remains surprisingly robust. In the first quarter of 1990, the number of mortgage loans made by banks and building societies was 10 per cent higher than the year before and gross advances rose by around a third to £15.2bn. Admittedly, the figures were down on the previous couple of quarters but they raise serious doubt about estimates that overall UK gross mortgage advances would fall by 15 per cent in 1990.

The Halifax House Price index recorded its first annual fall last month, but fears of a 10 per cent drop in UK house prices this year are almost certainly far too bearish now. Meanwhile, first time buyers – one of the best indicators of consumer confidence – continue to show a high level of interest. All this should be good news for the hardpressed house builders over the longer term, provided they are not too highly leveraged. However, it must be rather worrying for the authorities, since it shows that the initial shock of high interest rates, which resulted in the number of loans made by the banks and building societies falling by more than a quarter last year, has worked off.

Soft commodities

The fall in the oil price following Opec's latest attempt to stitch up a compromise does not mean that the external threats to UK inflation have entirely disappeared. BZW's soft commodities index – covering foodstuffs and fibres – rose by 8.2 per cent in sterling terms in March alone, having previously touched a five year low. There has been a strong rebound in the price of cocoa, and palm oil prices have recovered from a slump. Sugar prices have been strong for some time, now averaging around double their level in 1987.

It is possible that the world is at a turning point in the soft commodity price cycle, which has been depressed for much of the last decade. The Reuters Commodity Index has fallen 30 per cent in real terms since 1980. Commodity analysts tend to concentrate on oil and precious metal prices; but in terms of inflation, food and textile prices are probably more important.

Whatever the merits of the global warming argument, there have certainly been erratic weather patterns of late which have caused price spikes like the chill-induced rise in US orange juice prices earlier this year. Add in demand for food from liberated Eastern Europe and doubts about the prospects of a new "green revolution" and the medium term outlook for soft commodity prices looks remarkably bullish.

Bush tackles Europe's minefield

The US is cautiously forging new relationships, writes Peter Riddell

THE US is determined to remain closely involved in Europe, but President George Bush's Administration now accepts this will involve a far-reaching overhaul of Nato strategy as well as expanded political roles for the European Community and the 35-nation Conference on Security and Co-operation in Europe (CSCE).

American forces will remain, though in much reduced numbers, and US involvement will continue to be based on the North Atlantic Treaty Organisation, although in a changed form.

The speech by President Bush to bemused-looking graduates of Oklahoma State University last Friday was intended to set the agenda for the coming Nato heads of government summit in London.

President Bush is often accused of being reactive. But, while in the past year he has moved cautiously and gradually in response to the upheavals in Europe and the Soviet Union, he has moved – some say bowed – to necessity.

He has recognised Germans' sensitivities over the siting of nuclear weapons on their soil and responded to congressional pressure for cuts in US forces in Europe.

Last week, in abandoning modernisation of shorter-range land-based nuclear weapons, he also opened the way for early talks on substantial reduction or elimination of all such weapons. That was to remove both a source of division in Nato and one of the Soviet objections to a united Germany remaining in Nato.

However, the Administration is worried that the previously central role of Nato is being eroded by disintegration of the Warsaw Pact and by the support of France and East European countries such as Czechoslovakia for a new version of CSCE to provide European security.

Mr Bush recognises these pressures. But he wants to ensure that while Nato changes the collective military structure remains.

Moreover, a nuclear component will be retained alongside reduced conventional forces. This will probably be tactical air-to-surface missiles, which both Washington and London strongly believe should in part be on aircraft flying from Germany, not least as a signal to Moscow that a unified Germany will not have its own nuclear arsenal. An unspoken element of the discussion is the US role in balancing a unified Germany.

To reassure Mrs Thatcher, whom he praised as "one of freedom's greatest champions of the last decade," Mr Bush said "militarily significant US forces must remain on the other side of the Atlantic for as long as our allies want and need them." However, Mr Bush made no reference to the ceiling of 195,000 troops on each side on the central front of Europe (plus 30,000 for the US elsewhere in Europe) agreed with Moscow in mid-February.

He hinted at cuts below this level when he talked of planning "for a different kind of military presence focused less on the danger of an immediate outbreak of war" and "forces in the field backed by larger forces than can be called on in a crisis."

This is in effect an endorsement of the reinforcement strategy of leading Democrats who favour large cuts in US forces in Europe but retention of a substantial reserve and airlift capability.

General Colin Powell, chairman of the Joint Chiefs of Staff, was reported yesterday as saying the US could, and probably would, cuts its troops below the overall 225,000 European ceiling, although he sharply disagreed with Democratic proposals for cuts to between 75,000 and 100,000.

Nevertheless, a review is under way at the Pentagon which could lead to a 25 per cent cut in the defence budget and abandonment of doctrines such as forward defence.

Some State Department officials have been concerned that Mr Bush and Mr Brent Scowcroft, his national security adviser, have been too attached to Nato as the prime, and most familiar, institutional link with Europe.

The State Department wants relations to be broader, in effect hedging bets, given German and especially French views about Nato.

Hence Mr James Baker, Secretary of State, has put much emphasis on regular meetings with EC ministers and commissioners.

Mr Bush said on Friday that the alliance needed "to find ways to work more closely with a more vigorous European Community that is rightly asserting its own distinct views."

While stressing Nato's primacy, Mr Bush has recognised the European interest in CSCE by suggesting that it could provide a forum for the new democracies of eastern Europe to join in political dialogue over a more united Europe.

The US has agreed that CSCE – complementing but not competing with Nato – might help settle disputes within Europe, set standards for free elections and assist the shift to free market economies.

Many in the Bush Administration are still wary of the CSCE taking a wider security role. For Mr Bush, there is no substitute for Nato as the centre of the alliance and the US role in Europe, even if the number of American forces there is much reduced.

IMF dispute resolved

Continued from Page 1

Japan to second place in the IMF while France, the previous number four, wanted to increase its quota from 5 per cent to be at least level with Britain.

Under the outline agreement with France, Britain will loan around half a percentage point of its quota to France to ensure that the two countries carry equal responsibilities and voting rights in the Fund.

If, in future quota reviews, Britain's share of the IMF falls below that of France because of changes in the two countries' economic weight, France will lend part of its quota to Britain to keep the two countries in joint fourth place.

The agreement will mean that Britain falls from second place in the Fund behind the US to joint number four with France.

Japan will move up from fifth to share joint second position with West Germany, the previous number three.

These countries, constituting the IMF's "big five" shareholders, will continue to enjoy certain privileges such as their own executive directors.

However, much remains to be settled before the IMF will know the final shape of its quota increase.

Yesterday's meeting of the Interim Committee witnessed a sharp division of views between representatives of the industrialised and developing countries over US insistence that an agreement on quotas should be linked with a solution of the $4bn of arrears owed to the IMF by a handful of poor member countries.

The G7 countries rallied to the US viewpoint that a strengthening of the IMF's strategy for dealing with members in arrears should be "an integral part of the review" of quotas.

The US plan involves a new provision for suspending certain rights of recalcitrant members.

Latvians elect Premier

Continued from Page 1

Yesterday's military demonstration came at 8 a.m., the height of the morning rush-hour. Although ostensibly a rehearsal for tomorrow's military parade, it was held at the most disruptive and obvious moment.

Latvians believe that several thousands reinforcements, including paratroops, have been drafted into the republic for the parade. However the Popular Front is urging its followers simply to ignore the event.

In spite of the heavy sabre-rattling by the Red Army in Latvia, the republic's parliament seems determined to continue along a similar path to Lithuania, which is now under economic blockade from Moscow.

In Moscow, Mr Gorbachev indicated that his hard-line response to nationalist demands is unchanged, warning Soviet military veterans against "forces that would like to use the atmosphere of democracy, glasnost and freedom to implement their futile ambitious plans, including separatist plans."

He denounced such aims as an "irresponsible policy, leading to deadlock," according to Tass, the official news agency.

At the same time, it was announced that Latvia's powerful Russian-speaking industrial workforce will stage a political strike and civil disobedience campaign on May 15, underlining the economic muscle of non-Latvians in the republic.

The call for a strike and civil disobedience by the United Council of Latvian work collectives could be more of a threat, because Russian-speaking workers dominate the republic's big factories. On the other hand, as most are closely linked to the rest of the Soviet economy, a strike there could be counter-productive in causing disruption throughout the USSR.

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	20	68	Dallas †	S	23	73	Madeira	S	20	68	Prague	S	23	73
Algiers	S	21	70	Dublin	R	9	48	Madrid	S	22	72	Reykjavik	C	4	39
Amsterdam	F	14	57	Dubrovnik	S	19	66	Majorca	F	21	70	Rhodes	S	20	68
Athens	S	20	68	Edinburgh	C	9	48	Malaga	F	19	66	Rio de Janeiro	-	-	-
Bahrain	S	32	90	Faro	S	21	70	Malta	S	19	66	Rome	S	19	66
Barcelona	F	20	68	Florence	S	23	73	Manchester	C	11	52	Salzburg	F	20	68
Belfast	R	11	52	Frankfurt	S	24	75	Melbourne	F	15	59	S'Francisco †	S	8	46
Belgrade	S	24	75	Geneva	F	19	66	Mexico City		-	-	Santiago		-	-
Berlin	S	26	79	Gibraltar	F	20	68	Miami †	F	23	73	Seoul	C	18	64
Biarritz	F	17	63	Glasgow	R	10	50	Milan	S	23	73	Singapore	F	32	90
Birmingham	F	15	59	Guernsey	S	15	59	Montreal †	C	8	46	Stockholm	S	17	63
Blackpool	C	11	52	Helsinki	S	16	61	Moscow	C	21	70	Strasbourg	S	23	73
Bombay	S	36	97	Hong Kong	F	27	81	Munich	S	21	70	Sydney	C	18	64
Bordeaux	S	25	77	Innsbruck	F	22	72	Nairobi		-	-	Tangier	S	21	70
Boulogne	S	15	59	Inverness	R	8	46	Naples	F	21	70	Tel Aviv	S	24	75
Bristol	F	14	57	Isle of Man	C	12	54	Nassau		-	-	Tenerife	F	23	73
Brussels	S	22	72	Istanbul	F	18	64	Newcastle	F	11	52	Tokyo	C	20	68
Buenos Aires		-	-	Jersey	S	17	63	New Delhi	S	31	88	Toronto †	C	7	45
Budapest	F	24	75	Johannesburg	S	19	66	New York †	S	12	54	Tunis	C	21	70
Cairo	S	28	82	Las Palmas	F	21	70	Nice	F	19	66	Valencia	S	24	75
Cape Town	S	19	66	Leeds	C	11	52	Nicosia	S	21	70	Venice	S	21	70
Cardiff	F	15	59	Lisbon	S	23	73	Oporto	S	22	72	Vienna	S	23	73
Chicago †	S	16	61	Locarno	F	20	68	Oslo	S	23	73	Warsaw	S	24	75
Cologne	S	25	77	London	F	18	64	Paris	F	22	72	Washington †	S	13	55
Copenhagen	S	21	70	Los Angeles †	S	16	61	Peking		-	-	Wellington	S	18	64
Corfu	S	22	72	Luxembourg	S	20	68	Perth	S	21	70	Zurich	S	18	64

C—Cloudy. Dr—Drizzle. F—Fair. Fg—Fog. H—Hail. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow. T—Thunder.
† Noon GMT temperatures

Indian Airlines 'not ready for Airbus'

Continued from Page 1

-ulators on which training was provided by Aeroformation were based on the CFM-56 engine used in other versions of the A-320 and not on the V-2500 engine which was fitted to the Indian purchase.

The report also says there was inadequate emphasis on flying with the limited aids available in India and on manual approaches and landings. The A-320 crashed at Bangalore during manual landing. Though the report put the main responsibility on pilot error, it also said that the response time of the engine had been below expectation.

Airbus last night said it had not yet seen the report. But it reaffirmed its position that the A-320 crash in India was not due to any deficiency in either the aircraft or the training.

An earlier report by the Indian Civil Aviation Authority suggested that the crash was essentially due to a pilot error.

Airbus said last night that the level and quantity of training provided by its subsidiary, Aeroformation, was in line with what was requested by the client. The client's request has to conform to standards set by their relevant civil aviation authority.

It also said that while the aircraft were introduced into service in India last year, there was a prolonged strike by Indian Airlines' engineering staff. This could have compounded the difficulties in introducing new aircraft.

Airbus also said that the A-320 could be navigated with much greater accuracy without visual or runway aids than current aircraft in production. High by-pass jet engines equip most, if not all, current jet liners flying in the world, an Airbus official said. He also added that Aeroformation did not train pilots from scratch but converted them from one type of aircraft to another.

FINANCIAL TIMES

COMPANIES & MARKETS

Tuesday May 8 1990

INSIDE

Out to undermine Globe's defences

Attempts to have the British Coal pension funds' £1.1bn ($1.8bn) bid for the Globe Investment Trust referred to the Monopolies Commission would damage the investment trust industry, says Mr Paul Whitney. Replying for the first time to the wave of hostile propaganda, he claims controversially that his funds' offer has widespread but tacit support among other investment trust managers. Barry Riley looks at the case put by Mr Whitney. Page 26

The stability of French bonds

French Government debt has established itself as a part of many international investors' portfolios. Amid the turmoil in the European fixed-income sector, the French Government bond market has emerged this year as a pillar of stability. French OATs have put in a resilient performance against German 10-year Bunds as the yield spread between the two markets has narrowed to historically low levels. What is more, much international investor interest has switched out of the German market into France, on the back of growing confidence in the French economy. Deborah Hargreaves reports. Page 22

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)							
Rises				**Rises**			
Bayer-Hypo	499	+	14	Bouygues	679	+	13
Hochtief	1449	+	29	GTM-Entrepose	1500	+	35
Kaufhof	707	+	17	Printemps	603	+	23
Linde	1040	+	15	**Falls**			
Falls				Cogif	375	−	15
Fag Kugelfisch.	470	−	19	Industrielle	7540	−	310
Muench Rueck	2100	−	20	SILIC	840	−	15
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Digital Equip	89⅛	+	1⅛	Nakanogumi	1430	+	200
Intel	43⅛	+	⅞	Nihon Metal	1140	+	140
Motorola	72½	+	1⅞	Osaka Gas	780	+	100
Nat. Semicon.	7⅛	+	¼	Taisan	1030	+	113
Nordstrom	29⅛	+	1⅜	Toho Zinc	941	+	100
Falls				**Falls**			
USX	33½	−	½	Morishita Jin.	1410	−	90
PARIS (FFr)							

London market closed.

People in glass houses start to throw stones

William Dawkins and Charles Leadbeater look at growing competition among Europe's glass makers

There is an uneasy feeling among players in Europe's flat glass industry that the game is about to get tougher, only a few years after they have recovered from a bloodthirsty round of price-cutting.

Not only is one of their main customers, the car industry, coming to the end of a growth phase, but the largest European glassmaker, Saint-Gobain of France, is getting restless. The number two, Pilkington of the UK and the number three, Japanese-controlled Glaverbel of Belgium, are gritting their teeth with a studied calm.

Just over a week after making an agreed $2bn bid for Norton, the US abrasives producer, Saint-Gobain, headed by Mr Jean-Louis Beffa, has gone on the warpath again. This time it is bidding £96.5m for Solaglas, one of the UK's two largest fabricators and distributors of building glass. The Solaglas deal is an audacious foray into Pilkington's home territory. It will give Saint-Gobain 25 per cent of UK glass distribution. It is also a sign of a transformation sweeping through an industry.

"As far as I can see, Pilkington has, until now, been happy to leave Saint-Gobain more or less alone in France, while Saint-Gobain has left Pilkington alone in Britain," says Mr David Jones, head of research at the Paris subsidiary of Warburg Securities.

Saint-Gobain argues that the point of the Solaglas purchase is to gain its first distribution network in Britain, so completing the integration it has achieved in the rest of Europe. The reason for this downstream diversification is that profit margins from chopping up glass for doors and windows and delivering them to tight specifications and schedules are larger than from basic glass making. At the same time, nobody doubts that the French company wants to build on its 10 per cent share of the UK glass market, even if it is unlikely to want to repeat the self-destructive price war of the early 1980s.

While Pilkington does own glass merchants in West Germany, it has on the whole been wary of moving downstream in Britain. It has sold many of its warehouses over the past 20 years, on the grounds that specialised stockholders are best equipped to deal with the trade. At the same time it has seen its domestic market share slip from 80 per cent to 55 per cent over the past decade.

"Till now we have been correct not to invest heavily downstream. We will be reviewing this policy as a matter of some urgency," says Mr Bob Jones, Pilkington's vice president for Europe. The share price of Heywood Williams, Britain's other big glass distributor – with 35 per cent of the market – has jumped since the Solaglas deal.

Saint-Gobain is believed to have paid a generous 20 to 25 times earnings for Solaglas, which could force Pilkington to pay dearly if it decides to play the same game by bidding for Heywood Williams.

All this comes at a time when the European flat glass makers are nearing the end of a reorganisation phase which started in 1979, when BSN, now France's largest food company, decided to sell its glass interests, so altering the status quo in an industry which had until then been controlled neatly by itself, Saint-Gobain and Pilkington.

Originally, Pilkington wanted to buy all BSN's glass interests – including Glaverbel and Flachglas of West Germany, De Maas of the Netherlands and Boussois of France – a catch that would have left it as undisputed European leader. But the UK group was forced by the powerful West German cartel office to satisfy itself with Flachglas. This left it with a near duopoly of the West German market with Saint-Gobain.

US and Japanese bidders bought up the rest of the BSN offering by 1982, giving these competitive groups their first significant entry into the European market. Asahi took Glaverbel and De Maas, while PPG Industries of the US snapped up Boussois. In the meantime, Guardian of the US opened its first European float plant, in Luxembourg, and has since added two more.

The price war followed these moves, and has only ended in the past three years or so, as the long upturn in demand from the car and construction industries began to outrun supply.

By 1987, Saint-Gobain's flat glass division was one of its most profitable. It turned in 30 per cent of group operating profits, at a margin of nearly 19 per cent of sales. The following year the operating margin rose to nearly 25 per cent. But since then, analysts believe the group's flat glass margins, while still impressive, have fallen slightly.

Jean-Louis Beffa, chairman of Sait-Gobain: leading the French group on an audacious foray into Pilkington's home market

The pattern is similar at Glaverbel, where Mr Luc Willame, the chief executive, reckons EC glass demand is now growing at a gentle 3 per cent, after two consecutive years of 8 per cent expansion. Prices have followed the same trend, on average showing a slight slowdown from the 7 per cent increases across the industry in 1987 and 1988. And the cycle is not over yet – Saint-Gobain and SIV of Italy have just put up European prices, while Pilkington will follow this week.

After two years in which customers had to turn to imports to keep up with demand, European producers can now just about keep up, says Mr Willame. "There is a much closer equilibrium between supply and demand," he says. Apart from the slowdown in the growth of demand, this is also due to an increase in manufacturing capacity by Pilkington, Glaverbel, Guardian and others.

While the European industry might look to its French leader for an example, that does not mean Saint-Gobain sets the strategy for the rest. Guardian has positively avoided and downstream integration. Instead it has concentrated on selling flat glass to other manufacturers. Glaverbel stands somewhere between the two extremes, with its policy of defending margins by aiming speciality products like heat proof glass at niche markets such as domestic appliances and electronics.

So with the divergence in strategies, the big question is who will make the next move. One answer might lie in Pilkington's recent links with Nippon Sheet Glass of Japan, which last year bought 20 per cent of the British company's US subsidiary, Libbey-Owens-Ford. "The partnership is at stage one," says Pilkington's Mr Jones. "At this juncture it is not going further. But it is difficult to envisage that we and they would not want to strengthen the relationship in both Europe and Japan."

Pilots strike hits profits at TNT

By Kevin Brown in Sydney

TNT, the Australian-based multi-national transport company, yesterday reported a fall of 39.6 per cent in net equity accounted profits from A$149.5m (US$112m) to A$90.3m for the nine months to March 30. The decline was largely caused by losses that resulted from a strike by Australian domestic airline pilots.

TNT said "substantial losses" had been incurred by Ansett Airlines, in which it has a 50 per cent stake, and East-West Airlines, an associated commuter airline. The six month strike started when more than 700 domestic airline pilots resigned after their trade union failed to reach agreement on a new contract. The strike ended in March with the defeat of the union.

TNT said net profits excluding associated companies rose by 5 per cent to A$111.8m on revenue up 17.2 per cent to A$3.4bn. Revenue including associated companies rose from A$3.9bn to A$4.3bn. The group reported an abnormal loss of A$42.2m during the nine month period, partly offset by an increase in foreign currency translation reserves from A$17.5m to A$24m.

Earnings per share, based on equity consolidated net profits before abnormal items, fell from 25.3 cents to 16.5 cents. The third quarter dividend will be 3.75 cents, taking the aggregate dividend for the nine month period to 11.25 cents.

TNT said most group operations continued to perform satisfactorily, with strong performances from the Australian, UK and Italian businesses, and the trucking division in the US.

The effects of a slowdown in the Australian economy were becoming evident in declining freight volumes, but profit growth was contiming, particularly in the materials handling and shipping and development divisions.

European development was continuing steadily, and TNT was well placed to participate in the development of new transport services within each country and through its overnight air express network.

Operations were being restructured in Canada, where the economic situation was deteriorating sharply, and a return to profitability was expected next year.

TNT said the end of the pilots dispute and the quickening pace of change in Europe meant that opportunities for future growth and profitability remained favourable in spite of the slowing world economy.

Bond deals will cut Hongkong Bank's exposure

By John Elliott in Hong Kong

THE HONGKONG and Shanghai Bank's exposure to Mr Alan Bond's ailing Australian business empire is likely to be cut by around 50 per cent from at least A$800m, with the planned sale of Bond's 66 per cent interest in the Hong Kong-listed Bond Corporation International (BCIL).

Heads of agreement were reached over the weekend for Tomson Pacific, a Hong Kong investment company, to buy 34.5 per cent of BCIL for HK$1.04bn (US$134m), or HK$2.25 a share. Tomson is owned by Taiwanese and mainland Chinese interests and headed by Mr Stanley Ho, a Hong Kong and Macao-based casino and entertainment tycoon.

The remaining 31.5 per cent of the Bond stake is to be placed by October 8 with other unconnected investors at the same share price. BCIL's main asset is about HK$2.5bn cash, plus a 50 per cent stake in a Rome development site and a controlling interest in a south China brewery.

The deals should yield HK$1.98bn over the next five months for Bond Corporation International Holdings, a Hong Kong company which holds the 66 per cent BCIL stake and is wholly owned by Bond Corporation Holdings (BCH) of Australia.

The Hongkong Bank, which is one of Mr Bond's largest lenders, has first claim on most of this money because it holds BCIL shares as partial security for its exposure. Some funds will also go to other banks.

In an associated deal also announced at the weekend, Tomson Development Corporation of Taiwan is to pay US$70m to BCH for the remaining 50 per cent stake in the Rome site part-owned by BCIL, providing BCIL has not acquired the stake by June 29.

Either way, Mr Tong Cun Lin, a Taiwanese-born Hong Kong-based businessman who controls both Tomson companies, will end up with the complete 284-hectare Porta Di Roma site on the city's orbital road.

This brings to HK$2.55bn the total proceeds yielded by the Bond's weekend sales. A company statement said that full agreement on the main 34.5 per cent sale is scheduled for completion today.

But Hong Kong's stock market regulatory authorities are watching the deal closely. The companies have been warned that Tomson Pacific will be required to make a general offer for the whole of BCIL if it emerges that it has concert party-style links with investors who pick up the remaining 31.5 per cent later this year.

The Hongkong Bank has been watching the negotiations closely, partly because of its exposure to Bond.

But it is also believed to be heavily involved in financing extensive business expansion plans for Mr Stanley Ho, who recently bought 20 per cent of Tomson Pacific and became non-executive chairman.

N.M.Rothschild & Sons (Hong Kong) is financial adviser to Bond on the BCIL sale, and Standard Chartered Asia is advising Tomson. ChinTung, a local stockbroking arm of the Standard Chartered group, is placing the 31.5 per cent stake. Last week BCIL shares were trading between HK$1.91 and HK$2.10. Tomson Pacific also announced a one-for one rights issue of not less than 1.25bn 10 cent shares at 80 cents each to produce about HK$1bn to help fund the BCIL acquisition.

Economics Notebook

IMF foresees continued growth

THE WORLD can look back on seven years of economic growth and, according to the International Monetary Fund, the current period of expansion is likely to continue for several years yet.

The contrast with the two previous periods of recovery in the 1970s is striking. The expansions of 1971-74 and 1975-79 were choked off by tight monetary policy which had to be deployed to combat accelerating wage and price inflation.

Although activity in Britain and some other countries is at present slowing because of rising inflation and interest rates, the IMF's latest World Economic Outlook report is confident that a global recession can be avoided. It forecasts that inflation will tend to stabilise and economic growth will be sustained.

The durability of this longest expansion of the post War period owes much to good management and something to luck. According Mr Ernesto Hernandez-Cata, a senior adviser in the IMF's economic research department, the determination of governments in the 1980s to act against inflationary pressures at a relatively early stage has been an important factor encouraging growth. It has convinced financial markets that inflation will not be allowed to get out of hand and that monetary policies will not have to be tightened to the level that would create recession.

The more cautious macroeconomic policy of the past decade resulted in a relatively gradual return to high rates of capacity utilisation in industry and tended to prevent the acceleration of wages and prices that terminated earlier periods of recovery.

Some of the supply side measures of the early 1980s, which freed up labour markets and generally fostered more competitive conditions, may also have helped to prevent a build up of inflationary pressures. According to Mr Jacob Frenkel, the IMF's head of research, the 1992 process in the European Community has played a vital role in extending the period of economic growth. The global recovery after the recession of the early 1980s began in the US. But Europe has given it a second wind.

At the company level, improved inventory controls have kept stock-sales ratios at relatively low levels, reducing the need for sharp production cuts when tighter policies have slowed down demand. After a slow start, the new technologies of the 1980s, especially in the areas of telecommunications and information processing, may now be beginning to contribute to increased global growth. The industrialised world has also had some luck. The earlier expansions of the 1970s were hit by sharp rises in world oil prices which adversely affected the terms of trade of industrial economies.

The 1980s have seen the terms of trade of the industrial countries improve, particularly in 1986 when a halving of oil prices produced an income gain of $115bn for the Group of Seven nations that was equivalent to about 1.25 per cent of their combined gross national product. This income gain was reinforced by falls in other commodity prices which have helped dampen inflationary pressures.

The IMF's Outlook report acknowledged that declining commodity prices and high real interest rates have hurt growth in the developing countries. But it argued the absence in the 1980s of adverse price shocks such as the oil crises of the 1970s had benefited the developing countries by creating stable conditions which encouraged a steady growth of world trade. Looking to the future, the IMF's economists see no serious warning signs of recession. Although there is some reason to be concerned at last year's one percentage point jump in consumer price inflation to an average of 4.4 per cent in the industrialised world, the current inflation rates are low compared with the 1970s, when they averaged 9.2 per cent a year.

Corporate inventories do not suggest an impending slump in output. Profits, although weaker in the US than previously, are still fairly healthy. Moreover, the pattern of growth suggests that a synchronised cyclical downturn can be avoided. The Anglo-Saxon economies of Britain, the US and Canada all face slower growth this year. But growth in Japan and continental Europe is holding up well and expected to be robust.

Eastern Europe and the Soviet Union are facing a miserable year with the IMF estimating that output in the region could fall by as much as 2 per cent in the wake of recent political turmoil and as a result of possibly substantial transition costs in those countries which adopt economic reform. But looking further ahead, the IMF believes that eastern Europe "could emerge as a source of dynamism for Europe, and to a lesser extent, for the world economy."

Mr Hernandez-Cata said a recession in the sense of two consecutive quarters of negative growth in one particular country could still happen. "But if it did, I would be extremely surprised if it were prolonged, surprised if it was very deep and certainly very surprised if it were to spread throughout the world," he said.

Peter Norman

THIS WEEK

The Retail Price Index figures for April, published on Friday, will dominate economic debate in Britain this week.

The stock market expects "headline" RPI to reach 9.7 per cent, its highest level since May 1982, according to a survey of predictions by IDEA, the financial research company.

However, as speculation, based on only a few forecasts, has centred on an RPI figure in excess of 10 per cent, it is possible that anything less than this would, wrongly, be hailed as a triumph.

The level of "headline" inflation might alarm the City because a high figure could damage the Government. It is already well known that RPI significantly exceeds "underlying" inflation (excluding mortgage repayments), and the impact of the community charge or poll tax will help "headline" inflation gain another percentage point compared with underlying price increases.

Other factors point to an increase in inflation this month. The rises in specific duties in the Budget are officially estimated to have added 0.53 per cent to the cost of living. Also, many public sector charges, including council house rents, were increased last month.

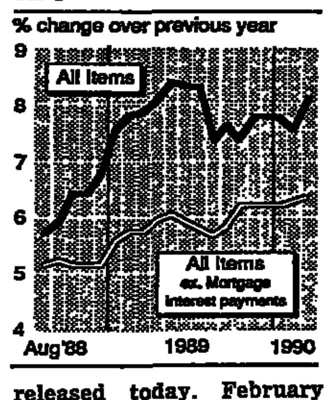
Although RPI will inevitably be preeminent in the minds of UK economists, today's figures on retail sales, and net change in credit, for March should also cast light on the tightening of demand.

Credit expansion, widely blamed as an important cause of inflationary pressure, has shown great resilience in the face of high interest rates, but is expected to stand at £3.8bn ($6.1bn) for March, compared to an increase of £2.7bn in February.

In West Germany, fears of a rise in the interest rates, receding after last week's 6 per cent wage deal with IG Metall, the metalworkers' union, may be revived by the retail sales figures for March, possibly released today. February showed an increase of 4.2 per cent, while a 4 per cent rise is the median market expectation for March. The influx of consumers from East Germany, and January's cut of DM24bn ($14bn) in direct taxes, are both expected to fuel an expansion in demand.

RPI

% change over previous year



Many people are also feeling more optimistic about interest rates in the US, on the back of last Friday's labour market figures which showed much more containable growth than had been anticipated.

The April producer price and retail sales figures on Friday should cast more light on the chances of an inflationary spiral.

Other significant economic indicators for the week, with IDEA consensus forecasts in brackets where relevant, include:

Today: US consumer credit for March ($3.4bn in February).

Tomorrow: Japan, trade balance for April (+$5.5 bn).

Thursday: Bank of England Quarterly Bulletin published. Japan, machinery orders (up 8 per cent).

Friday: US producer price index (up 0.3 per cent) and retail sales index (up 0.5 per cent). France consumer price index (+0.4 per cent). Canada, unemployment rate (7.5 per cent).

INTERNATIONAL CAPITAL MARKETS

EUROCREDITS

Medium-sized deals lead a quiet week

THE rash of official holidays restricted new lending activity last week, with most syndicate officials remarking on the relatively quiet tone. Despite this, there was no shortage of comment on a variety of deals, reflecting this year's largely unheralded increase in medium-sized transactions.

One leading US bank said that so far this year its volume of moderate, but unspectacular deals was significantly higher than during the equivalent period in 1989. The difference this year over last has been the relative absence of large, public transactions.

After a bidding competition between several banks, a $200m two-tranche revolving credit facility was launched into syndication by Deutsche Bank Luxembourg (DBL) for Aker, the Norwegian cement and offshore products group.

DBL declined to elaborate on the facility ahead of the completion of syndication. However, it is understood the deal consists of a $70m five-year revolving facility paying a margin of 22½ basis points over London interbank offered rate, with a ⅛ per cent commitment fee. This tranche will become working capital.

In addition, a $130m syndicated guaranteed facility which will be fully drawn carries a 20 basis point margin on the amount guaranteed. The guarantee provision will be issued by the underwriting consortium and used as collateral for a loan from Eksportfinans, the Norwegian export credit body. The loan is partial financing for Aker's recent acquisition of an increased holding in Compania Valenciana de Cementos Portland (CVCP), Spain's third largest cement producer, following a long battle for control with Banco Espanol de Credito (Banesto). Late in March, Banesto sold its 31.9 per cent stake in Valenciana, after Aker had raised its holding to 24.9 per cent.

Up-front fees are 7½ basis points for a $15m co-lead management position, 5 basis points for a $10m management role and 2½ basis points for participants taking $5m. These fees are divided between the two tranches in a ratio of 35 to 65. Opinions varied, with some banks saying the pricing looked reasonable and others commenting that for a company in a turnaround situation the pricing seemed fine. Aker returned good results last year after a poor 1988, and was seen as a difficult credit to judge.

Another credit that divided opinion was Mecca Leisure, the UK leisure group, which has a one-year £205m revolving credit facility in the market via NatWest. The facility is fully underwritten by Midland, Barclays, Swiss Bank Corporation and Banque Bruxelles Lambert. NatWest would not comment on the margin amid speculation that it might be as high as 75 basis points, way above Mecca's previous borrowing.

Rival syndicate officials said such a margin would raise questions about both the company and UK leisure in general and that they would be watching the deal's progress with interest.

Manufacturers Hanover said it had successfully completed an eight-year term loan for Banque Générale du Commerce, the small French bank owned by Cassa Risparmio di Roma. The loan, which carried a split margin averaging 22½ basis points, was increased from FFr500m to FFr600m. Fees were not disclosed.

J.P. Morgan was thought to be in the market with a facility for Republic of Turkey, but no details were available.

Chase Investment Bank said it had won the mandate for a $100m five-year revolving credit for Banco di Napoli Luxembourg and would be starting syndication next week.

Andrew Freeman

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	64.0	0.0	303.8	15,505.3
Prev	228.2	0.0	290.0	16,475.5
Other	682.2	73.5	889.7	4,129.2
Prev	1,228.5	36.6	805.5	5,318.3
Secondary Market				
US$	17,206.2	652.6	5,064.3	10,475.9
Prev	11,544.7	604.0	2,947.0	8,115.6
Other	18,061.8	737.2	6,980.0	36,783.1
Prev	19,616.6	666.1	4,565.2	30,405.2

	Cedel	Euroclear	Total
US$	19,334.9	29,917.2	49,252.1
Prev	13,203.8	27,001.2	40,205.0
Other	29,272.9	39,063.8	68,336.7
Prev	25,145.1	37,496.9	62,642.0

Week to May 3, 1990

Source: AIBD

French bonds emerge as pillars of stability

THE FRENCH Government bond market has emerged this year as a pillar of stability amid the turmoil in the European fixed income sector.

As a Socialist Prime Minister in France pursues policies more monetarist than his Conservative counterpart in London or even Washington, French government debt has established itself as a part of many international investors' portfolios.

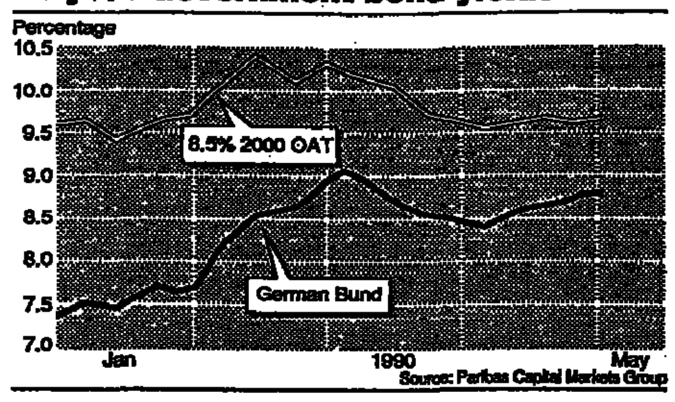
French OATs have put in a resilient performance against German 10-year bunds this year as the yield spread between the two markets has narrowed to historically low levels. What's more, much international investor interest has switched out of the German market into France as confidence about the French economy picks up.

Uncertainty over the economy and German reunification continues to hang over yields in the 10-year sector. Last week's sharp fall in Bund yields – from 8.81 per cent to 8.64 per cent on Friday – is no indication of a long-term recovery in the market.

Buyers of bunds have been nervous for some months about the effects that German monetary union would have on the country's level of inflation. This bearish attitude towards the market has seen a sell-off of bunds on each revelation about currency union.

The Bundesbank's ambivalence about a one-for-one exchange rate between East German and West German marks is well known. It fears the inflationary impact and, though the bank has tried to allay fears about a rise in the country's 2.7 per cent inflation rate, many analysts are predicting it will have to raise interest rates this summer.

10 year Government bond yields



Source: Paribas Capital Markets Group

The prospect of a rise in German interest rates is set against a concerted effort in Paris to cut rates. The French central bank cut the rate at which it offers funds to the market by 25 basis points twice last month – the first time rates have been cut since August 1988.

The latest cut took the intervention rate to 9¼ per cent after the French trade deficit came in at FFr858m for March – well below market predictions and showing that France posted a trade surplus with its European Community partners for the first time. The political significance of Paris's reduction in the intervention rate was highlighted by its timing to coincide with the EC summit in Dublin.

In fact, Mr Pierre Beregovoy, the French finance minister, effectively declared France's independence from German monetary policy when he said recently that if rates were to move higher in Germany it would be for purely domestic reasons and would not warrant a rate move in France. But the Banque de France would have to watch a narrowing of the interest rate differential with care since it could work against the Government's policy of a strong franc.

Although the D-Mark was buoyed late last week as some enthusiasm returned to the German markets, the French franc has been a much stronger member of the European Monetary System in recent weeks. The discipline imposed on the French Government by its membership of the EMS has fostered confidence among the international investment community about Paris's commitment to keep inflation low.

The relative performance of the German and French bond markets is shown up clearly in the spread between 10-year Bunds and OATs. This spread was at 200 basis points at the beginning of the year and has narrowed since to around 80. Some optimistic forecasts have shown the spread disappearing by the end of the year.

International investors – even though they own only 20 per cent of French fixed income securities – are paying more attention to the French market. The Government has streamlined its debt in the last six years to provide an array of large liquid benchmarks and its stock of securities is growing in a controlled way.

At the same time, the Eurofranc sector is seeing the establishment of several large benchmark issues which should entice more foreign investors into the sector. Recent bond issues of FFr1bn for the World Bank – maturing in seven years – and a 10-year issue of another FFr1bn bonds for the Caisse Nationale de Telecommunications have provided some much-needed liquidity for the sector.

While the market should see continuing smaller issues such as last week's FFr600m bonds for Compagnie Bancaire, international investors are looking for about another five large benchmark deals for needed liquidity.

International investors have previously steered away from the Eurofranc sector because they believed it was controlled by purely domestic players. However, investors in Japan and Switzerland have been strong buyers of the World Bank bonds as well as the fungible issue of FFr1.25bn in bonds for the French national railway, SNCF.

The yield pick-up in Eurofranc issues over the relevant government bond has narrowed amid the strong performance of the Government sector. This has seen the recent SNCF issue, for instance, coming to market at a spread of 38 basis points over the OAT, 10 basis points below the spread offered by the World Bank several weeks earlier. The establishment of the French futures exchange, the Matif, as a liquid market has further encouraged foreign participation in the French market. The exchange's notional 10-year bond futures contract regularly trades some 60,000 lots a day.

However, the French market should not be regarded with undimmed enthusiasm. "The West German market may be having a hiccup, but we don't see the Bundesbank losing its central role for fighting inflation in Europe," says Mr Bob Tyley, economist at Paribas Capital Markets. Investors may still look to Germany for better long-term prospects.

Deborah Hargreaves

Cedel chief seeks more links with Euro-clear

By Andrew Freeman

THE newly appointed chairman of the Euro-market clearing house Cedel, Mr Hans Angermueller, identified improved links with Euro-clear as a priority in a statement following Cedel's annual general meeting on Friday.

Mr Angermueller said that the 1980 agreement on a connecting electronic bridge with Euro-clear, the larger of the two international securities settlement and clearing organisations, had to be reopened with a view to eliminating inefficiencies caused by differing processing times.

"It is in the interests of the market that we address these fundamental problems," he said, adding that Cedel's willingness to accept more frequent exchange of information files as well as neutral arbitration from the Association of International Bond Dealers had been rebuffed by stop-gap proposals from Euro-clear.

Cedel announced record annual results. Operating profits in 1989 were $11.7m, while after-tax profits were $4.3m. Client numbers, transaction volumes and securities held in custody all reached new highs. The board approved a 10 per cent bonus dividend.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Sanwa Singapore Ltd.†♦	40	1998	8	(f)	100.10	Sanwa Bank Int.Ltd.	-
Mitsubishi Oil(UK)★★♦(c)(d)	6	1992	2	11	101⅛	Mitsubishi Finance Int.	10.349
Mitsubishi Oil(UK)★★♦(d)	6	1991	1	(e)	100⅞	Mitsubishi Finance Int.	-
GE Capital Corp.♦(h)	200	1994	4	9⅝	101⅜	Kidder Peabody Int.	9.199
CANADIAN DOLLARS							
World Bank♦	150	1995	5	13¼	101⅝	IBJ Int.	12.790
AUSTRALIAN DOLLARS							
Deutsche Bk.Australia♦(a)	50	1995	5	14½	100⅞	Deutsche Bk.Cap.Mkts.	14.244
C'wealth Bk.of Australia♦	100	1993	3	15½	102	Hambros Bank	14.629
D-MARKS							
Nat.Bank of Hungary♦	200	1996	6	9¾	100	DG Bank	9.750
Merril Lynch & Co.♦	100	2000	10	0	43.75	Merrill Lynch Bank AG	8.618
SWISS FRANCS							
Swiss Bank Corp.Lux.♦	100	1993	3	8	100¼	SBC	7.903
FRENCH FRANCS							
Compagnie Bancaire♦(i)	600	1993	3	10¼	101.10	CCF	9.809
ECU							
EIB♦(j)	200	1997	7	10	(k)	Banco Di Roma	-
FINNISH MARKKA							
Skopbank♦	205	1992	2	14	100.90	Bankers Trust Int.	13.457
YEN							
Banque Nationale de Paris♦	10bn	1996	6	(g)	101⅞	JP Morgan Secs.Ltd.	-
STERLING							
Relocation Funding No1♦†	60	1994	4	(b)	(b)	Commerzbank	-
Woolwich♦	50	1992	2	15¼	101⅛	Deutsche Bk.Cap.Mkts.	14.810
LUXEMBOURG FRANCS							
Bacob Overseas♦★★(l)	300	1993	3	10⅛	101.95	Banque UCL	9.350
AUSTRIAN SCHILLING							
Republic of Austria♦†(m)	3bn	1996	6	(m)	100.10	Deutsche Bk.Cap.Mkts.	-

♦Final terms. †Floating rate note. ★★Private placement. a)Fungible with existing A$100m deal launched 14/3/90. b)One month sterling Libor plus 40bp. c)Call and put on 15/5/91, semi-annual coupon. d)Issue launched in two tranches. e)Based on a formula. f)6month Libor + 35bp for first 3 years, then deal becomes fixed rate issue paying 10% if call is not exercised. g)Step down coupon: year 1=16%, year 2=10%, years 3 and 4=4%, years 5and 6=2.40%. h)Payment date 17/5/90, short first coupon. i)Payment date 8/6/90, long first coupon. j)Fungible with existing Ecu600m deal. k)98.61 plus 2.55% accrued interest. l)Fungible with existing LFr300m deal. m)6-month Vibor less ⅛%. Part of a 5bn Austrian Schilling deal lead managed by Creditanstalt Bankverein. Note: Yields are calculated on AIBD basis.

France defines insider trading

By William Dawkins in Paris

FRANCE'S stock market regulator, the Commission des Opérations de Bourse (COB), has proposed the country's first clear definition of insider trading, putting the final touch to a reform of stock exchange rules.

The proposals, which have been submitted for clearance to the Government, follow last year's adoption of tougher enforcement powers for the COB and measures to bring French takeover rules more in line with US and UK practice.

The insider trading definition covers four classes of insider trader.

They are: company directors or staff who deal on the basis of privileged information about their own business; people who deal on the basis of information they have picked up while helping to prepare a financial operation; anybody who profits from privileged information gathered while carrying out their job; and anybody who deals on the strength of information gathered from one of the other three sources of knowledge.

The COB proposes that people covered by the rules should be banned from using or communicating their information, for their own profit or anybody else's.

Campeau seeks equity and buyers for some properties

By Bernard Simon in Toronto

CAMPEAU, the ailing real estate development company founded by Canadian entrepreneur Mr Robert Campeau, is seeking an injection of equity, and buyers for some of its properties, in an attempt to contain the damage from its disastrous foray into US retailing.

Campeau said in an information circular prepared for a meeting of debenture holders on June 1 that the measures were needed to deal with a "significant" negative cash flow caused by heavy interest payments on debt taken on to support Federated Stores. This is the US department store holding company which has filed for protection from creditors under Chapter 11 of US bankruptcy laws.

Campeau said its exposure to its US subsidiaries totalled US$1.27bn on January 31. Federated's two main subsidiaries, Federated Department Stores and Allied Stores, suffered a combined loss of US$2.4bn in the year to February 3 and paid out more than US$800m in interest, according to filings with the Securities and Exchange Commission.

The debenture holders' meeting has been called to ask holders of C$184m (US$158m) of convertible debentures to waive Campeau's defaults and defer interest payments until the end of 1991 at the latest.

Campeau is trying to negotiate similar standstill arrangements on other facilities, including its guarantee on a US$480m loan to Federated by Edward J DeBartolo, the Ohio shopping mall owner.

The company said the proposed disposal of the unidentified real estate assets "will result in a major reduction of secured debt and leave the corporation with a positive cash flow and a smaller portfolio of properties on which future growth can be based."

In addition, the standstill agreements are designed to give the company breathing space while its US businesses reorganise under the umbrella of Chapter 11. Federated Department Stores' loss in the latest fiscal year was US$1.5bn, compared with a $156m loss for the previous nine months. Allied sank to a US$925.2m loss from earnings of $51.4m in the previous nine months.

First Executive may restructure

By Alan Friedman in New York

FIRST Boston, the New York investment bank, has been retained by First Executive, the troubled Los Angeles insurance company, to explore options including restructuring and asset sales.

First Executive was an enthusiastic member of the junk bond-buying network set up by Mr Michael Milken, the convicted former Drexel Burnham Lambert executive.

The Californian insurer disclosed last month that it was the subject of an investigation into possible securities law violations by the Securities and Exchange Commission, although there was no suggestion that the investigation was related to Mr Milken.

First Executive's junk bond holdings helped the company towards an $835.7m loss for 1989.

Meanwhile Columbia Savings and Loan, another Los Angeles financial institution that was financed heavily by Mr Milken's junk bonds, has reported a $293.3m loss for the first quarter of this year.

Columbia, whose junk bond holdings are the largest in the troubled US thrift sector, attributed the loss primarily to a $273.6m slump in the value of its junk bond portfolio.

Banco Central row ends with stake sale

By Peter Bruce in Madrid

SPAIN'S most bitter boardroom battle ended abruptly last night when Cartera Central, a portfolio company created two years ago to take control of one of Spain's big commercial banks, Banco Central, sold its 12.5 per cent stake back to the bank.

It is understood that Banco Central will pay some Pta59bn ($563m) for the shares and plans to float a part, worth around Pta12bn, on the open market. The bank's victorious chairman, Mr Alfonso Escamez, will probably try to distribute the remaining stock to friendly shareholders.

Cartera Central was formed as a joint venture in 1988 by the Kuwait Investment Office (KIO) and two local entrepreneurs, Mr Alberto Cortina and his cousin, Mr Albert Alcocer (Los Albertos). Mr Escamez was forced to defend himself against a flood of attacks on his management, and has done so long enough for the joint venture to fall apart of its own accord. T

The Kuwaitis pulled out of Cartera Central last year, leaving the Albertos paying heavily to finance the 12.5 per cent stake and with little stomach left for the battle they had set themselves. The breakdowns in the marriages of both cousins, and the subsequent division of business spoils with their wives, has made the sale of the stake almost inevitable.

Singapore Land investors wary of bid defence plans

By Joyce Quek in Singapore

INVESTORS in Singapore Land, the big Singapore property group, have reacted coolly to the company's plan to fight off a bid from United Industrial Corporation, a local conglomerate, with the potential listing of an associate company and a professional revaluation of its assets.

The S$2.6bn (US$1.4bn) bid is the largest made in the region, and has been rejected by Singland's board.

But the day after Singland unveiled its cards, investors sold 4.4m shares in the company at prices between S$14.80 and S$15.00 – the UIC offer price and yesterday's closing price respectively.

However, UIC's $2.6bn offer is unlikely to be accepted by all shareholders: all it wants is creeping control. The diversified investment group has steadily raised its stake in the republic's second largest property concern from 26 per cent, when it launched its bid on April 6, to 37.5 per cent on May 4.

Observers see UIC continuing its policy of picking up Singland shares (generally below $15) until the offer closes on May 18, by which time it should hold about 43 per cent, more than enough to control the board.

The Singland counter-attack had moved slowly, but what was hoped would be a knock-out punch to UIC's hopes had little effect. The board had stated that its 44.7 per cent-owned associate Marina Centre Holdings, which owns the city's largest shopping complex, was to be restructured for a listing on the Singapore Stock Exchange.

Singland also commissioned a professional revaluation of its assets as at April 30, resulting in a gross asset valuation of $3.6bn and net tangible asset value of $21.54 a share or $18.06 on a diluted basis, 20 per cent above the offer price.

Singland also announced higher interim results for the half-year ended February 28. Group pre-tax profits rose 67 per cent to $20m on a 15 per cent increase in turnover to $30.8m, despite a $24.4m provision for its associate Rush & Tompkins, the London-based construction firm which was put into receivership last month.

Prices help Statoil gain threefold profit rise

By Karen Fossli in Oslo

STATOIL, the Norwegian state oil company, increased first-quarter profits, before extraordinary items, threefold to NKr3.1bn ($474m) from NKr1.1bn in the same period last year, helped by increased world crude oil prices, high crude oil production and reduced finance and operating costs.

But Statoil forecast that second-quarter results are likely to be weaker than in the first quarter because of lower oil prices.

Crude oil sales in the period increased to 29.2m barrels from 27.9m and the oil price was on average $19.80 a barrel against $17.60 in the 1988 first quarter.

For the year, Statoil forecast average world crude oil prices of $16.80 a barrel.

Of the four individual business units, petrochemicals and plastics was the only one to experience a decline. Profits before extraordinary items slid to NKr144m from NKr322m.

Exploration and production nearly doubled operating profit, while natural gas, reported separately for the first time, had profits before extraordinary items of NKr602m, compared with an estimated NKr426m a year earlier. Refining and marketing bounced back into the black with profits, before extraordinary items, of NKr84m against a NKr602m loss a year earlier.

Icahn set to lose USX vote

By Roderick Oram in New York

MR Carl Icahn, the New York investor, appeared yesterday to lose a shareholder vote he proposed urging USX to spin off its steel operations as a separate public company.

He admitted before the annual meeting that he had failed to win the support of "five or six" key institutional shareholders for his plan to enhance shareholder value. Without them, he estimated some 80m shares would be voted for the proposal including the 34m, 13.3 per cent stake, he controlled.

Mr Icahn made one last pitch to shareholders at the meeting but apparently to no avail. The non-binding resolution needed to be approved by 80 per cent of some 200m shares the company was expecting to be voted. Official results of the proxy battle will be released in a week to 10 days.

Mr Charles Corry, USX's chairman, told shareholders the company would continue to seek ways to benefit its shareholders. "This is a corporation that has changed and will continue to change. That is inevitable," he said.

Mr Icahn reiterated before the meeting that he would remain a USX shareholder.

USX stock price slipped $¼ to $33¼ after the meeting.

Enimont falls to L750bn

ENIMONT, the Italian chemical concern, reported a fall in 1989 group net profit to L750bn ($610m) from L945bn in 1988, AP-DJ reports.

The profit figure was down significantly from a forecast in January by Mr Lorenzo Necci, the former chairman, of profits of L900bn.

Enimont also predicted that net profit in 1990 would be about L450bn, down sharply from Mr Necci's 1988 prediction that the company would post earnings of L1,200 in 1990.

Enimont was formed at the beginning of 1989 by merging the chemical interests of state energy agency Ente Nazionale Idrocarburi (ENI) and private chemicals group Montedison.

The L750bn figure for 1989 was significantly lower than the L1,065bn net profit projection paraded before international investors during last September's roadshow to place 20 per cent of Enimont's stock on world markets.

The remaining 80 per cent of Enimont is equally held by ENI and Montedison.

An Enimont representative attributed the lower-than-projected results to a cyclical downturn in the chemical industry, the launch of a comprehensive restructuring and a "troubled year" for the company.

RWE sees 12% rise in turnover

MR FRIEDHELM Gieske, head of RWE, West Germany's diversified energy group, said yesterday that he expected turnover for the current year to rise 12 per cent to DM43.8bn ($26bn) and company reserves to increase for the first time since 1983/84.

Much of the increase in turnover will come from the consolidation of subsidiaries, most notably the building group Hochtief. Turnover excluding consolidations rose 3 per cent in the first nine months to March.

Greyhound campaigns to win back customers

By Roderick Oram

GREYHOUND Lines yesterday launched "an aggressive campaign to win back its traditional customers" as its financial and labour problems deepened.

Talks with its striking drivers broke down over the weekend after the bus company called for a four-year wage freeze and a shift to pay by the hour rather than by the mile. The proposals were worse than earlier ones and would result in wage cuts, union officials said. "They'd throw me out the upstairs window if I went back with this," Mr Ed Strait, the Amalgamated Transit Union's chief negotiator said of the proposals.

The company's new offer came a day after it announced a first-quarter loss of $55.8m on revenues of $172.5m, against a loss of $14.4m on $223.5m. It also said it had missed a $5m lease payment in April and would miss a $9.8m bond interest payment on May 15.

Standard & Poor's yesterday downgraded the bonds to CCC and put it on Creditwatch for impending default.

Mr Fred Currey, Greyhound's president, said yesterday that the strike was "irrelevant" now that the company had finished hiring replacement drivers.

Analysts point out, though, that passenger volume is still below the 70 per cent or so the company says is its break-even level. Moreover, the company is about to incur advertising costs to promote half-price fares and other incentives.

Air India rises 25% to Rs550m

By R.C. Murthy in Bombay

NET PROFITS of Air India, the flag carrier, rose by a quarter to Rs550m ($30m) in the year ended March, riding on an improvement in passenger yield and depreciating value of the rupee.

Air India had returned to the black in 1988/89 with a profit of Rs443.1m, after incurring a record loss of Rs434.1m the previous year. Operating revenue rose 18 per cent to Rs14.22bn last year from Rs12.05bn.

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Job data throw spanner in the works

HAVE US interest rates peaked, at least for the moment? The consensus on Wall Street appears to be that they have, in the wake of last Friday's worse than expected April employment figures, which showed a rise of 64,000 non-farm jobs against forecasts of an increase of nearly 400,000.

The employment data, suggesting a weakness in the US economy that contradicted earlier indicators, produced an immediate rally, pushing the price of the 8.5 per cent 30-year Treasury bond up by 1⅛ points and causing the yield to tumble in a day from 8.97 per cent to 8.82 per cent. The benchmark long bond closed a full two points higher on the week.

The employment data showed job levels would have declined had it not been for the deployment of 80,000 census workers. The data also included a 5.4 per cent unemployment level, the highest in 15 months.

The result of all this was to throw a macroeconomic spanner into the forecasts, which suggested the US economy was picking up steam. Bond market gurus quickly whipped out their calculators and began altering their models, but two messages are now abundantly clear:

● The April unemployment figures have vanquished the market's concern about any likely tightening of monetary policy at next week's meeting of the Federal Reserve's Open Market Committee (FOMC).

● The notion of a long bond yield above 9 per cent – the level enjoyed from April 26 until last Thursday – must be forgotten for a while. Estimates are for a range between 8.5 per cent and 9 per cent over the next month or two.

Since the 9 per cent yield is gone for the moment, attention will focus on this week's auction of $30.5bn of Treasury securities, beginning with today's auction of $10.5bn of three-year notes.

Although the consensus view is that Japanese institutions will take up around a quarter of the total Treasury Bills on offer this week, uncertainty surrounds the enthusiasm that is likely from US retail buyers.

After last Friday's rally the long bond was off ¼ of a point yesterday morning, but the sight of the market backing off slightly ahead of a three-day auction is no surprise.

Analysts say that a yield of 8.8 per cent would still attract the retail crowd, especially as there is thought to be a fair amount of cash in the pockets of those investors who missed the 9 per cent yield.

The change in sentiment about the economy triggered by last Friday's employment figures was dramatic. Earlier last week inflation was thought likely to take off and GNP growth expected to stay above 2 per cent; now the forecasters reckon inflation will stay within a 4.5 per cent to 5 per cent range and speak of a low-growth channel of 1 per cent to 2 per cent on the GNP side.

The bond market, in a distinctly half-hearted mood until last Friday, had been fretting about whether the Fed would tighten credit policies to counter the inflationary trend.

Although this might have been a debatable view before, it is now widely expected that the May 15 FOMC meeting will result in a decision to put policy on hold. Fedwatchers last week recalled that Mr Alan Greenspan, Federal Reserve chairman, said three months ago he thought it would be well into the spring before US economic data would be sufficiently free of distortion to get a fix on the real state of the economy.

The next round of macroeconomic data will come on Friday, after the Treasury auction. Estimates of the two most important indicators – the producer price index and retail sales figures – range from about zero to 0.4 per cent for the PPI and from 0.1 per cent to 0.5 per cent for retail sales.

Barring surprises on Friday it seems likely that the market will want to interpret the PPI and retail sales figures as confirming last Friday's indications of a slowdown in US economic growth. This, at any rate, is the market's present bias.

Out in corporate America the patchy nature of the economy has been confirmed by first-quarter results, which were down in median terms by more than 15 per cent. Aside from the wretched state of the car sector, several chemicals companies suffered, while in the banking industry the regional crises in real estate continue to take their toll in terms of non-performing loans and write-offs.

Also, now that Drexel Burnham Lambert is bust and junk bond mogul Mr Michael Milken is a self-confessed felon, the burden of corporate debt stemming from highly-leveraged takeovers continues to depress earnings and cause bottom-line losses even at otherwise healthy companies such as RJR Nabisco and Time Warner.

Alan Friedman

UK GILTS

Some time still to kill before rally

IT ISN'T over 'til it's over, said Yogi Berra, the US baseball player. The gilts market might remember his remark this week.

For the UK economy, the point at which it will be over is a long way in the future. The Retail Price Index, released this Friday, will indicate how bad inflation may get, but not how long the situation will take to improve. Consequently the gilts market may have some time to wait for its long-promised rally.

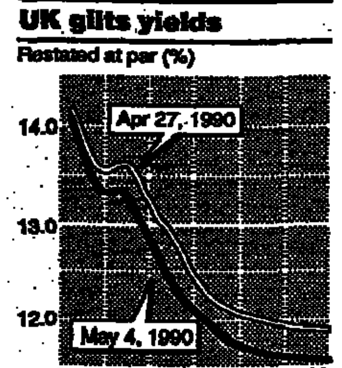
Analysts said on Friday that the strong positive reaction on Friday to the local government election results reflected the fears that had run around the market in advance of the results rather than hopes that things had reached a turning point. It also followed strong bond market performances in the US and Germany.

The benchmark Treasury 11¾ per cent 2003/2007 ended Friday 2⅛ higher at 97¾ to yield 12.05 per cent, one of the strongest one-day performances all year. Gilt futures also had a strong day; they advanced after moving through key chart points. On the London International Financial Futures Exchange, June long gilts were trading at 80¾, up 2¼ from late Thursday on heavy volume.

The reaction was remarkably favourable considering the Conservative losses. "The market was phenomenally oversold," said Mr Peter Spencer of Shearson Lehman Hutton. "It was squeezed, and was due for a technical rally," said Mr John Shepperd of Warburg Securities. But, Mr Spencer emphasised: "The political and economic landscape has not changed. There is still a major inflation problem and a very substantial Labour majority built into the electorate."

UK gilts yields

Restated at par (%)



Source: Warburg Securities

Despite last week's rise, retail investment interest is still absent. The buying came mainly from market makers trying to square their books, rather than retail investors, said Mr Shepperd. Indeed, earlier in the week there had been significant selling from Japan, said Mr Ian Abrams of Nomura Gilts.

The market's political fears have been linked with the UK's economic problems, and there is still no sign of an end to the latter.

The market's median expectation for the RPI is for a monthly rise of 3.3 per cent, according to the forecasting group IDEA, and 3.0, or 9.4 per cent, according to MMS. Whatever the market forecasters say, there is a widespread belief that anything under double figures would be a relief.

Assuming that the market has discounted a high forecast for RPI, it could thus rise even on relatively high monthly inflation – greater than the annual rate of many of our European neighbours. This is indicative of the mood: once the bad news is out of the way, gilts will become attractive again.

But the inflationary problem will not be solved by one month's figure, especially given the uncertainty of the Government's statistical releases. Most forecasters are predicting that August will see the inflationary peak. The inflationary profile can be bent if wage rises follow the price trend, or if food prices fail to come down in line with the Government's predictions.

Given the concerns about wage inflation, the Confederation of British Industry Industrial Trends survey provided some hope by indicating a continuing fall in manufacturing employment. This has yet to show up in the unemployment figures. The International Monetary Fund noted last week: "The question remains whether [UK] monetary policy is sufficiently tight to arrest and then gradually reverse cost-price pressures, particularly in view of the tight conditions prevailing in labour markets."

The overseas environment still seems unpropitious for a general bond market recovery. Real interest rates have risen by nearly a percentage point in the Group of Seven industrialised countries since the beginning of the year, according to Mr Peter Fellner of Consensus Economics. In the UK, taking the difference between the expected 10-year inflation rate and the nominal 10-year bond yield, the real rate of interest has risen to 7.5 per cent, he says. This compares with 4.5 per cent in the US, 5.7 per cent in Germany and 5.3 per cent in Japan.

The good omens in other bond markets last week may prove difficult to repeat, and world interest rates are likely to be higher by the end of the summer. The Government's policy bind over inflation and interest rates is unlikely, therefore, to disappear much before the end of the year.

This is reflected in the City's forecasts of increased inflation for the fourth quarter. It also incorporates a growing belief that interest rates cannot come down; indeed, they may have to rise once more. If so, the political situation may also have yet to reach its trough.

Sterling may be the lever upon which these political and economic pressures press.

By-elections are, in a sense, like economic indicators. They give a snapshot of reality, depending on what sample is taken and which time period. Both the elections and the RPI figures may show that things are not as bad as the markets had discounted; they do not prove that the Government's policy dilemmas have disappeared.

Andrew Marshall

La Fondiaria advances

LA FONDIARIA Assicurazioni, a leading Italian insurance company, yesterday said parent company net earnings rose 9.7 per cent to L113bn ($92m) in 1989 from L103bn a year earlier, AP-DJ reports.

Premium income rose 12.3 per cent to L925bn from L824bn. Fondiaria said 1989 "signalled a considerable increase in premium income, a consolidation of investment income and a further deterioration of negative trend in the income from insurance writing which has hurt the whole insurance market."

Net income from investments rose 9.7 per cent to L136bn from L124bn.

The board proposed an unchanged dividend of L500 a share.

Aborted deal puts Echo Bay in loss

ECHO BAY MINES, the North American gold producer, suffered a substantial first-quarter loss after pulling out of a mining venture whose ore grades and costs failed to meet expectations, writes Bernard Simon in Toronto.

The Edmonton-based company lost US$37.9m or 38 cents a share, compared with earnings of US$10.6m or 11 cents, in the first three months of 1989.

Revenues rose to $73.6m from $59.8m.

The loss was due to a $42.4m write-off after Echo Bay aborted a plan to exchange a one-third interest in the Muscocho group for a direct interest in two Muscocho mines in northern Ontario.

Since signing the agreement, Echo Bay said estimates of the mines' ore grades had dropped by between 17 and 28 per cent.

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds	8.13	8.19	8.25	9.92	8.00
Three-month Treasury bills	8.00	8.02	8.01	9.11	7.20
Six-month Treasury bills	8.23	8.34	8.15	9.37	7.18
Three-month prime CDs	8.44	8.80	8.70	10.35	8.10
30-day Commercial Paper	8.30	8.30	8.30	9.95	8.05
90-day Commercial Paper	8.30	8.37	8.27	10.05	8.10

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	98⅜	+1⅛	8.82	9.05	8.60
20-year Treasury	105⅜	+1⅜	8.91	9.13	8.65
30-year Treasury	96⅜	+2	8.82	9.02	8.51

Money supply: In the week ended April 23 M1 fell by $4.8bn to $805.6bn

NRI TOKYO BOND INDEX

December 1983 = 100	Performance index 19/4/90	Average yield (%)	Last week	12 wks ago	26 wks ago
Overall	142.89	7.38	142.61	144.29	148.67
Government Bonds	140.61	7.20	140.39	143.03	148.76
Municipal Bonds	144.46	7.44	143.95	146.14	149.89
Govt.-guaranteed Bonds	146.78	7.50	146.29	147.95	151.17
Bank Debentures	140.43	7.55	140.20	140.31	142.69
Corporate Bonds	145.98	7.52	145.78	146.49	151.59
Yen-denom. Foreign Bonds	152.27	7.62	152.06	151.90	157.50
Government 10-year†	6.67	–	6.67	6.13	5.30

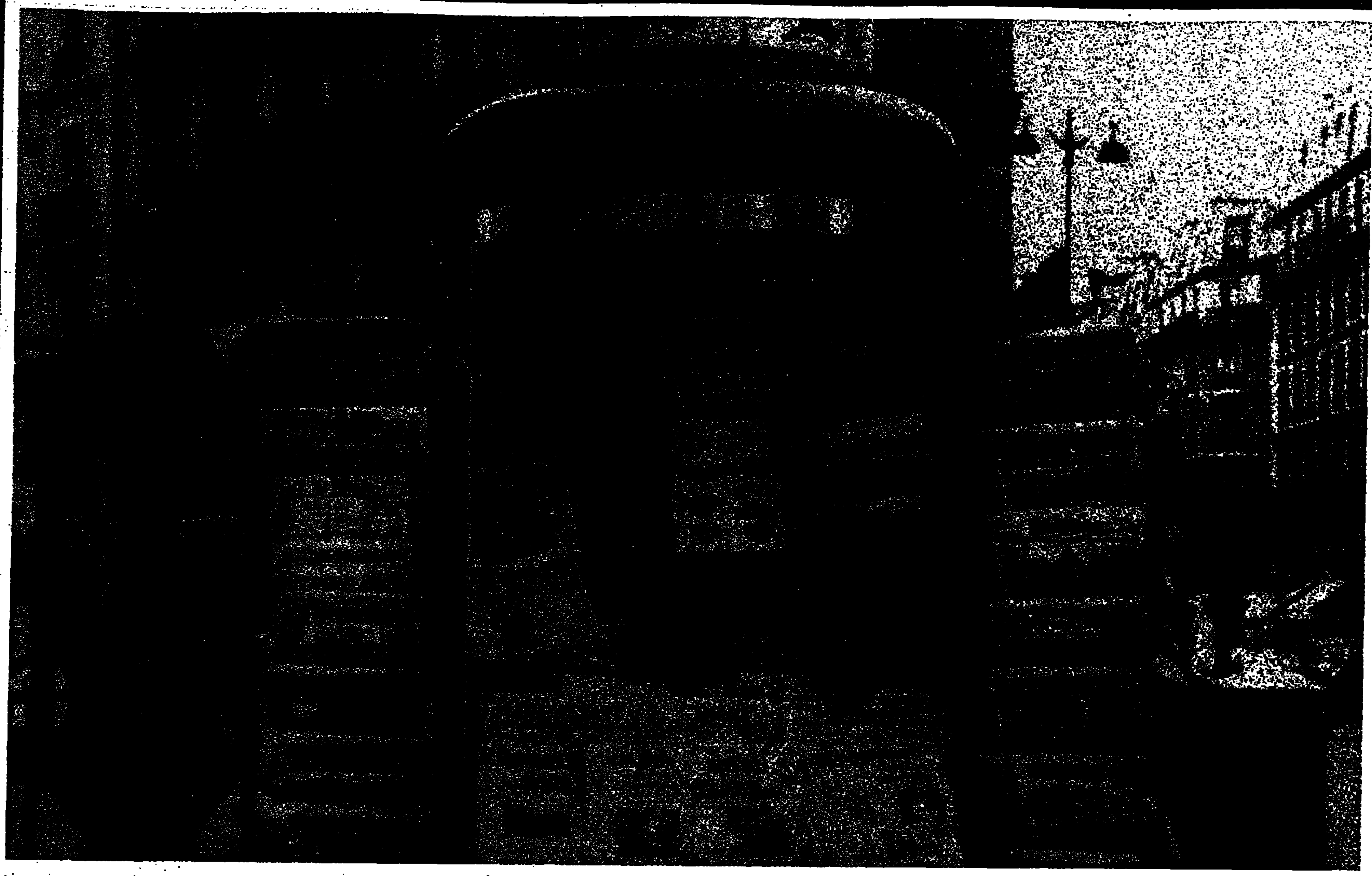
† Estimated par yield

Source: Nomura Research Institute

FT/AIBD INTERNATIONAL BOND SERVICE

[illegible]

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.
Closing prices on 4MAY1990




EUROPEAN

UK COMPANY NEWS

Discounting a vital issue in the takeover stakes

Barry Riley on the wave of propaganda surrounding the hostile £1.1bn bid approach to GIT

REPLYING FOR the first time to the wave of hostile investment trust industry propaganda, Mr Paul Whitney of the British Coal pension funds has claimed controversially that his takeover bid for the £1.1bn Globe Investment Trust has widespread but tacit support among other investment trust managers.

He said that attempts by Globe's chairman, Mr David Hardy, and the Association of Investment Trust Companies to obtain a Monopolies Commission reference would damage the sector. He had "some difficulty in deciding in whose interests David Hardy is acting."

Mr Whitney added: "Secretly, this takeover would be welcomed by the investment trust industry. What we have done is narrow the discount in the sector.

"If David Hardy were successful discounts would widen and it would be impossible for new trusts to be launched," Mr Whitney claimed. "Every sector needs regeneration from time to time."

He said the British Coal fund managers were "very disappointed" at the emergence from the Globe side of insider trading allegations. These arose from the fact that he had a meeting with Mr Hardy only hours before a deal to buy a 5 per cent stake from Standard Life was clinched at 1 am on April 20.

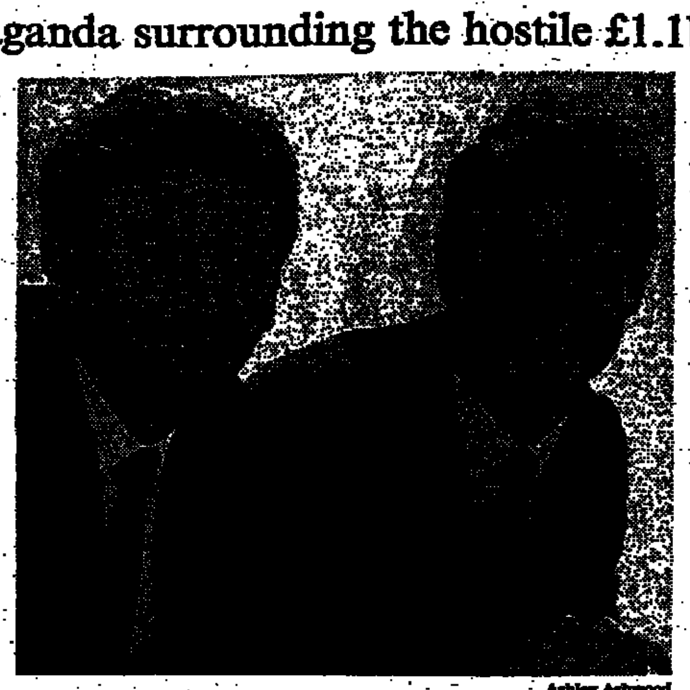
"Mr Hardy has not sought to defend the bid on the issue that really counts, which is price," Mr Whitney said. "The issue with Globe is the persistence of the discounts, which are a function of the underlying portfolio."

He argued that the mining pension funds had done investment trusts a favour when they bought another big trust, Touche Remnant Industrial and General (TRIG), in 1988. That deal had helped discounts to become narrower subsequently, and had contributed to the ability of managers to launch many new trusts (more than 30 new investment trusts have been floated in the past six months).

According to Mr Whitney, trailblazing opportunities were also being opened up by the decision to offer a free switch into a new index tracking investment trust to Globe shareholders who did not want to take cash or a loan note. Although there are indexed pension funds and unit trusts, there are no index matching investment trusts so far.

This new trust will have a life of only three years, albeit extendable, a device intended to limit the size of any discount that may appear between the market price and the value of the underlying portfolio.

"If the discounts stay as tight as we expect them to," said Mr Whitney, "that would encourage other houses to bring out other index tracking trusts." He pointed out that the potential virtues of index trusts had ironically been praised in a recent investment trust review from County NatWest Wood Mackenzie, the broking firm which has been appointed by Globe to give special advice on the bid.



Ashley Ashwood

Paul Whitney, left, managing director of British Coal's CIN Management, and Barry Southcott, managing director CIN Marketable Securities.

Mr Whitney was circumspect in relation to the suggestions of corporate ambition which have been privately made by the Globe defenders. According to these allegations, CIN Management, the British Coal subsidiary which manages the pension funds, and of which Mr Whitney is chief executive, is considering how to secure its future in the light of the possible eventual privatisation of the coal industry.

If British Coal were split up, the pension funds might be wholly or partly "externalised" and CIN might be forced to become an independent company. This is what has just happened in the water industry, where the pension fund managers have set themselves up as a new company called Queen Anne's Gate Asset Management, which has held on to most (but not all) of the money.

By taking over Globe, and moving into the elegant Globe House near the Middle Temple, CINM might be able to secure its longer-term future, perhaps through developing the trust's Globe Morley subsidiary, which already acts as the external manager of a number of pension funds.

But Mr Whitney would not be drawn on this and other "red herrings" which were emerging from Globe and the AITC. There was no early prospect of British Coal being privatised. He insisted that the real issue was price, and CINM retained an open mind on the restructuring of Globe once it had obtained 50 per cent or some larger proportion of the shares. "We will look at all the options," he said.

The British Coal fund managers insist they are motivated purely by investment considerations. The funds have large cash balances, including the proceeds of US property sales. The stock-market represents good value in the medium term, they consider, and buying Globe promises to be an efficient way of channelling some hundreds of millions of pounds into equities.

Indeed, the purchase of TRIG late in 1988 was considered by many observers to represent a brilliant stroke of timing, because stock markets became very strong in 1989.

But it remains to be seen whether Globe shareholders will be as willing to sell as those of TRIG. "The market is really the key," said Paul Whitney.

Loan stock problem facing B&C

By John Thornhill

A GROUP of institutional shareholders in British & Commonweath, the troubled financial services group, will meet today to consider whether to press for the immediate repayment of the company's 7¾ per cent convertible loan stock, which has a nominal value of £320m.

If support can be mustered from stockholders representing 20 per cent of the total then they can ask the loan stock trustees to intervene to ensure repayment.

In such an event, it is highly unlikely that B&C would be able to find the resources to pay and the company might well be forced into seeking protection from its creditors under the Insolvency Act.

B&C has argued that this would not be in anyone's best interest and announced last Friday that it was well advanced with its own survival plan. It strongly recommended that "no precipitate action be taken which could damage the formation of these proposals."

The company is aiming to present its plans to institutions and representative bodies this week.

Meanwhile, B&C has appointed Stephenson Harwood, the lawyers, to investigate whether there was any fraudulent activity at Atlantic Computers, B&C's computer leasing arm which has now been placed in the hands of the administrators.

Cafe Inns seeks USM quotation

Cafe Inns, a Third Market company engaged in various aspects of the development and operation of public houses, achieved a profits rise of £165,749 to £246,234 pre-tax for the 1989 year.

Turnover expanded from £1.33m to £1.52m.

The directors said they intended to arrange a quote for the company's shares on the USM, probably in the early autumn.

Midsummer outcome close as former director says yes

By John Thornhill

A FORMER director of Midsummer Leisure, the pubs, discos and snooker clubs group, has strongly urged the company's shareholders to accept the current offer from European Leisure.

Mr Ron Hart, who resigned from Midsummer on March 27 after disagreements with the rest of the board, argued that the company had lost its way entirely and would struggle to maintain profits or make disposals.

Mr Hart said he felt he had to make his position clear after being referred to in Midsummer's defence documents and being misrepresented in the press.

But Midsummer rejected Mr Hart's claims and questioned how he could know about the company's prospects without privileged information.

The outcome of the battle looks close. At the first close last week, European Leisure had received acceptances for 34.33 per cent of Midsummer's shares, but one big institutional shareholder, Scottish Amicable which owns 11 per cent, has made it clear that it will reject the bid.

Meanwhile, Midsummer Leisure's shareholders have been deluged by a flood of circulars from both sides as the takeover offer entered its final week.

European Leisure wrote to Midsummer's shareholders urging them to accept its 140p per share offer by the final close on May 11.

Mr Michael Ward, European Leisure's chairman, said the combination of the two companies would create a soundly-financed company with excellent growth prospects.

But Midsummer's board, which originally accepted the approach, repeated its advice to shareholders to reject the all-share offer as its value has fallen in line with the market's decline.

Mr Adam Page, Midsummer's chairman revealed, however, that he would relinquish his executive responsibilities when the offer lapsed and that Mr Paul Reece, currently deputy chairman, would become chief executive.

NEWS DIGEST

Guinness Mahon falls to £2m

GUINNESS Mahon, the merchant banking group which is 65 per cent owned by the Bank of Yokohama, blamed increasingly difficult conditions, particularly in the property market, for a 14 per cent fall in interim profits.

Before tax, the group earned £2m in the six months to March 31, down from £2.3m in the same period a year earlier. Earnings per share were 3.10p, down from 3.6p. The interim dividend remains unchanged at 0.8p.

The merchant bank side disclosed profits of £1.6m, up from £1.5m, while asset management virtually doubled profits from £239,000 to £474,000. Securities trading contributed £170,000 after having made a loss of a like amount a year before.

Dixons promises a better year

Mr Stanley Kalms, chairman of Dixons, the electrical retail group, has written to the company's shareholders informing them that pre-tax profits for the year to April 28 will be higher than the £70m figure forecast in January.

Despite the tough retail conditions, Dixons had performed better than expected and had completed the integration of its Currys stores, Mr Kalms said.

Dixons is currently awaiting a decision from Mr Nicholas Ridley, the Trade and Industry Secretary, as to whether any renewed takeover offer by Kingfisher, the retail group, would be against the public interest. Kingfisher lapsed its £568m offer for Dixons when it was referred to the Monopolies and Megers Commission in January.

The MMC presented its conclusions at the end of April and a decision from Mr Ridley is expected before the end of this month.

Kingfisher said yesterday that it was surprised that Dixons had felt it necessary to write to shareholders before Mr Ridley had announced his decision.

Euromoney 23% ahead at £3.38m

Euromoney Publications achieved pre-tax profits of £3.38m for the half year ended March 31, an improvement of 23 per cent over the £2.75m returned a year earlier. Turnover rose from £11.54m to £13.99m.

Available profits worked through at £1.99m (£1.77m) and the interim dividend is being stepped up by 1p to 6.5p.

Pickwick rights

Pickwick Group rights has been taken up in respect of 4.63m (98.9 per cent) of the 4.68m ordinary shares, the balance being sold in the market.

FT Share Information Service

The following securities have been added to the Share Information Service.

Atlantis Resources (Section: Oil & Gas).

Bioplan Holdings (Industrials).

Comada Energy (Oil & Gas).

Courtaulds Textiles (Textiles).

Daiwa Securities (Trusts, Finance, Land).

First Spanish Inv. Trust Warrants (Investment Trusts).

German Inv. Trust Warrants (Investment Trusts).

German Smaller Cos. Inv. Trust Warrants (Investment Trusts).

Henderson Highland Tst (Ord & Warr'ts) (Investment Trusts).

Hungarian Investment Co. (Trusts, Finance, Land).

Indonesia Equity Fund (Ord & Warr'ts) (Trusts, Finance, Land).

Molopo Australia (Mines - Australians).

Precious Metals Australia (Mines - Australians).

South East Asian Warrant Fund (Trusts, Finance, Land).

Torday & Carlisle (Engineering).

Westralian Resource Projects (Mines - Australians).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Associated Paper Industries, Hornorbit, MMT Computing, Olim Convertible Trust, Trafalgar House, Tubular Edgington, UK Land.

Finals- Ambrose Investment Trust, Sayer (A.G.), El Oro Mining & Exploration, Ericsson (LM), Exploration Co, Hay (Norman), Hi-Tec Sports, Jackson Group, Jarvis, London Finance & Investment, Mezzanine Capital Income Trust, Parkland Textile, Westerly.

FUTURE DATES

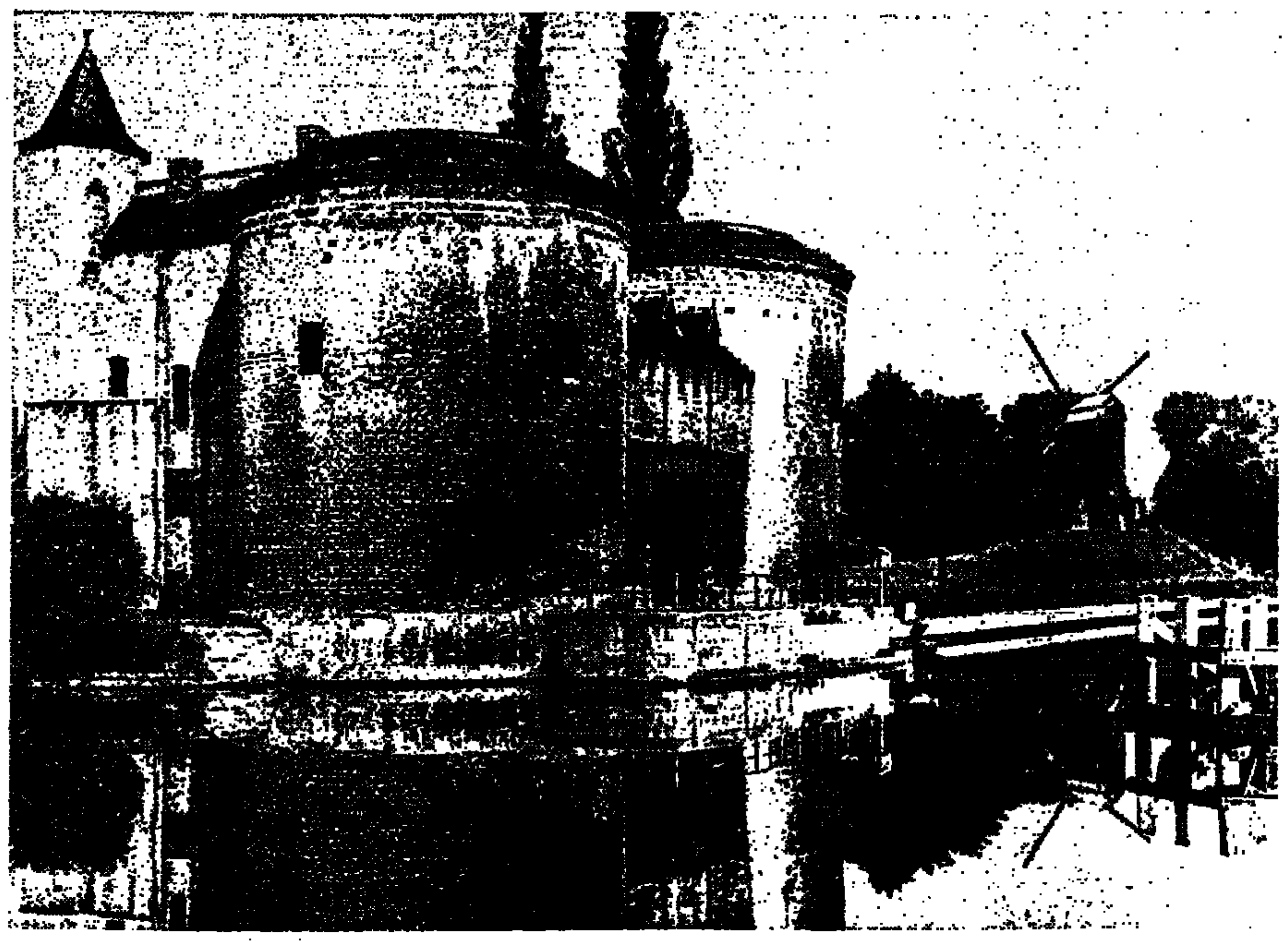
Interims-

Blenheim Exhibitions	May 11
Metro Radio	May 15
Mining & Allied Supplies	May 15

Finals-

Barts Hldgs.	May 16
Crosby (James)	July 2
Dawson Intl.	June 21
Prowting	May 22
600 Group	June 7
Whitbread	May 16
Wilton	May 19

FINANCIAL TIMES SURVEY



Medieval fortifications in Bruges

FLANDERS

CONTENTS

Although Flanders is the dominant region of Belgium the Flemish have had a long struggle to gain parity with their French-speaking co-citizens. However, Flanders cannot rest on the laurels of its post-war economic and political victories. David Buchan reports

No room for complacency

CALL UP an image of Flanders, and it is likely to be of flatlands and tall steeples in towns full of stolid industrious burghers making lace and tapestry, who can plumb the comic depths of Brueghel and rise to the religious heights of Rubens.

It is, of course, the wrong image of Flanders. Though its land is still flat and steeples still tall, it is more memorable for its high-speed carpet looms around Kortrijk, biotechnology around Ghent, diamond-trading, chemical-refining, and shipping in Antwerp, and the institutional capital of Europe growing up in part-Flemish Brussels. But it has been an easy image to correct.

Remind the foreign investor that Flanders has not moved, that it is still in the heart of Europe. That it still has its good communications and its stolid industrious burghers. That its burghers will work for slightly lower wages than in most neighbouring countries and make slightly less fuss about environmental regulations and, though his profit may be highly taxed, he has fairly poured his money into post-war Flanders.

Many investors needed no bidding: "Recently it's just been a question of answering the telephone," says a Ghent regional development officer.

By every indicator Flanders, with more people in it than Denmark, is the dominant region of modern Belgium. With 57 per cent of the population, it accounts for 60 per cent of turnover in the national economy. Its average growth rate over the past decade (2.9 per cent) has outstripped national (1.9 per cent) and EC (2.4 per cent) averages. Its unemployment (7.4 per cent) rate is below the national average (9.7 per cent). And, of course, by weight of numbers, the Flemish are the predominant political power at the national level. One of their number, Mr Wilfried Martens, has been Prime Minister for a decade; it is hard to conceive of Belgium ever having a francophone premier again.

Underlying all this has been the long, but eventually successful, struggle of the Flemish, who until the late 19th century could not use Dutch in dealing with the Belgian state, to gain cultural parity with their French-speaking co-citizens. In the process, however, the unitary state has come apart in three successive reforms. These started in 1970, continued in 1980 and culminated last year in a deal devolving wide powers and 40 per cent of public spending on to the regions of Flanders, Wallonia and linguistically mixed Brussels, and on to the two main Dutch and French-speaking "Communities."

Few national politicians and big businessmen from Flanders, and certainly not King Baudouin and his Spanish-born wife (arguably the only two genuine Belgians), took much pleasure in this. But there is enough of the old linguistic chip-on-the-shoulder and of the new sentiment of economic one-upmanship for many of the 5.7m Flemish to agree with Mr Gaston Geens, president of the Flanders regional government that: "When we do things ourselves, we do them better."

The nationalist element in Flemish politics has, too, acquired a menacing fringe with the rise of the far-right Vlaams Blok, which has been gaining ground, mainly in Antwerp and chiefly on immigration issues, at the expense of the Volksunie which entered the mainstream by joining Mr Martens's Christian Democrat-led Government last year.

Flanders' regional structure is at least simpler than Wallonia's. The former has fused the Government of its "region" (covering local economic planning, subsidies, investment and incentives, energy, environment, transport, public works, and housing) and of its "Community" (education and culture) under Mr Geens, and placed it in a new, mock-gothic building next to Brussels cathedral. The seat of the Walloon region is Namur and of the French-speaking community is Brussels. Flanders' single-seat decision, however, had nothing to do with the tidy logic of the Flemish mind. It was designed to put the maximum Flemish stamp on a city that has gradually become 80 per cent Frenchified.

Whatever its precise structure, regional reform will, make the relatively rich (Flanders and Brussels) richer, the relatively poor (Wallonia) poorer. North-to-south transfer payments will continue for a few more years to let Wallonia down gently; the latter will still benefit from the unemployment system remaining national. Within a decade, however, Flanders will get back from the central state no less than the precise proportion of national tax revenue it contributes; and Wallonia no more.

FACT FILE

	Flanders	Belgium	Percentage
Population (m)	5.72	9.92	57.6
Unemployment	157,200	348,700	45.0
Company turnover (BFrbn)	7,936	13,057	60.7
Ind. prod. in 1988 (1981=100)	121.4	113	-
Exports as % of turnover	62	61	-

Flemish Employers Federation

One day, regions will get some sizeable taxing power. But for the next few years they have representation without taxation (the reverse of the US revolutionaries' complaint). That might seem a recipe for popularity, if they had enough cash to carry out their new responsibilities. But they don't.

Quite deliberately, the central Government has "under-funded" them, leaving them with 14 per cent of current spending uncovered. The aim is to make sure the regions join the central state (left servicing a debt that eats up one-third of all remaining national revenue) in belt-tightening.

Flanders' means to shape its economy are, therefore, limited in the short term. Last year the five "national" sectors of glass, steel, coal, textiles and shipbuilding – dubbed national because only the central Government had the means to staunch their losses – were turned over to the regions.

Of this list, the last three are all based in Flanders. But by 1989 central Government had footed the entire bill for transforming textiles from white elephant to white hope and having its workforce cut from 100,000 to 50,000. Ship repair and building remains a problem, but European Community rules constrain subsidy payments. By end-1991 the taxpayers of Flanders will no longer have to dig into their pockets to fund the Limburg miners digging coal; the mines will close next year with dramatic savings.

Mr Geens' Government has some BFr15bn a year to spend in investment incentives such as interest rate rebates and equity participations. Its main vehicle for providing seed money to entrepreneurs, start-up help for joint ventures, and equity capital to let companies grow or turn losses around is the Flemish Investment Company (GIMV).

After 10 years of operation, and inheritance last year of "national" investments (20 per cent of Sidmar steel near Ghent, 100 per cent of Limburg coal, and a few textile stakes) GIMV has a net worth of BFr5bn. Unlike its Walloon counterpart fund, GIMV has largely concentrated on helping successful companies grow rather than keeping unsuccessful ones in business. Even the bet GIMV took on Barco seems to have paid off; the West Flemish electronics company is restored to the black.

The real factors behind Flanders' success have little or nothing to do with government policy:

● A spread of very diverse sectors such as chemicals and mechanical engineering that are not too sensitive to short-term changes in the business cycle. Stability is provided by not only by the number of "baskets" in the Flemish economy, but also by the large number of small "eggs" in them. Small, family-run companies are a particular speciality of west Flanders where Bekaert sticks out by employing as many as 3,000 people in the area.

Growth can be painful for family owners, because they are deeply resistant to going public and diluting their control. For this reason, GIMV has an offshoot called Kamofin, which offers to buy temporary stakes in family businesses that are then sold back to the families on pre-arranged terms.

Yet some concerns, such as Deceuninck Plastics of Roeselare, take the plunge, go to the stock market and cede family control to professional management. A few family companies, however, just go on growing, like the Beaulieu carpet business of Wielsbeke, nearly a £1bn business, still run by the De Clerck family.

● The prospect that growth will soon be spread more evenly around the five provinces which make up Flanders, whose western and eastern edges have done less well than the centre. The Channel tunnel should increase development not only in northern France, but also in the rather neglected "West Hook" part of West Flanders, putting it at the core of a growth area.

Limburg should at last benefit from being adjacent to a buoyant pan-Germany, once it can persuade other companies to join big operations such as Ford car assembly at Genk into moving the province into a post-coal era.

In addition, the port facilities at Antwerp, a traditional pole of growth, are being greatly expanded.

● Flanders has successfully traded on a disciplined, educated and multilingual work force. Recent initiatives, such as the creation of the IMEC Inter-University Micro-Electronics Centre have sought to maintain this, while companies such as Janssen pharmaceuticals, whose Beerse research team has developed 70 new drugs, give at least the partial lie to the criticism that Belgian companies are poor innovators, more focused on improving processes inventing products.

Relatively low immigration, in the view of top managers such as Mr Karel Vinck of Bekaert, contributes to homogeneity of the workforce, which as in Japan makes both communication and discipline easier. While the top flight of Flemish executives are as multi-lingual as ever, those below them are not. There has been a marked drop in the learning of French, counterbalanced to some extent by English.

This is troubling, in the context of Belgium, because it makes harder communication with other parts of Belgium. It is more than just troubling if it means that a certain complacency has set in. Flanders cannot afford to rest on the laurels of its post-war political and economic victories.

David Buchan talks to Mr Gaston Geens

Power to the regions

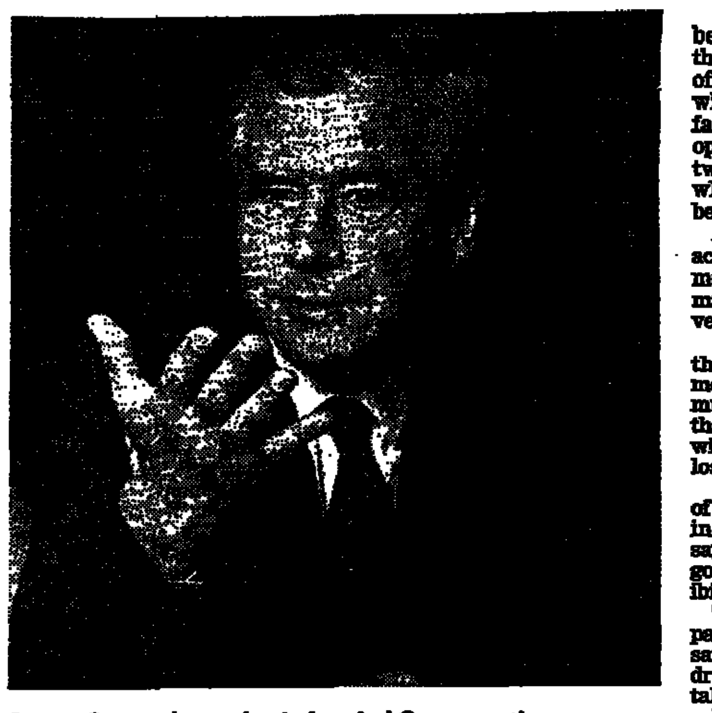
MR Gaston Geens strongly hints that he would rather be Minister-President of 6m Flemish people than Prime Minister of 10m Belgians.

In carving real powers for the Government of Flanders out of the "artificial" state of Belgium, "we are making something new, and that is a challenge", says the 59-year-old Mr Geens, who dropped out of central Government (where he was Finance and Budget Minister) to lead the Government of Flanders ever since it was created in 1980.

The 1989 reforms, conferring new powers on the regions and linguistic communities of Belgium, have made the job even more worthwhile. In contrast to its Walloon counterpart, the Government of Flanders has a unified executive responsible for both regional and linguistic/educational affairs.

Flanders is now master in its own schools, from primary to university level, and nearly half of its BFr380bn budget goes on education. "Now we can offer a broad education that is no longer based on the French system and on books translated from the French," he says.

Second, the Flanders Government is now responsible for housing, public works, transport and environment policies within the region. "This means we can better define our needs and act more quickly to meet them", says Mr Geens. He cites the example of a new holding company which the regional



Gaston Geens: dropped out of central Government

Government is sponsoring for research into control of water pollution, a considerable problem for Flanders with its high density of population and concentration of the chemical industry, particularly in the Antwerp-Genk corridor.

Third, regional authorities truly control industrial policy, now that central Government has turned over to them responsibility for what were known as "the national sectors," or these industries that were or still are chronic losers of money such as glass, steel, coal, textiles and shipbuilding.

In the case of the Limburg coal mines, the Flanders Government took drastic action by deciding to close them and use the subsidies saved to diversify the local economy.

Such a decision would have been quite impossible when the mines were still the charge of the central Government, which, in one of Mr Geens' favourite metaphors, had to operate like a *wafelijzer*, the two-sided iron press with which Belgians make their beloved waffles.

In other words, every public action, such as giving government aid to Flanders, had to be matched in Wallonia, and vice versa.

With money from Flanders, the Belgian central government and the European Community, Mr Geens is confident that in 10 years' time Limburg will hardly be able to recall the loss of the mines.

"It will have the same level of employment and income as in the rest of Flanders," he says, because of its inherently good communications and flexibility of its work force.

This confidence stems in part from the way Mr Geens saw Flanders shake off the doldrums of the early 1980s and take off.

In the period 1981-90 average annual growth in Flanders of 2.9 per cent not only outpaced the 1.9 per cent average recorded in Belgium, but also the 2.4 per cent average in the EC as a whole.

He claims part of the credit with his policy for a third industrial revolution in Flanders, whose Dutch acronym, Dirv, was intentionally confuseable with Durf (courage, in Dutch).

THE CAR INDUSTRY

A welcome for the Japanese

UNLIKE HIS counterparts in southern Europe, Mr Andre Van Roy, managing director of General Motors in Antwerp and president of Febiac, the Belgian vehicle industry association, puts out the welcome mat for the Japanese. "If more Japanese car companies decide to invest in Europe, then, better that they should come to Belgium," he says.

Mr Van Roy's prescription to resolve the great debate over the future treatment of Japanese cars is two-fold — import restrictions on direct shipments from Japan should be phased out in three to five years "at a maximum," and Japanese investment should be encouraged, provided that 60-80 per cent of the value of such made-in-Europe cars is of local content.

This position may only put the Belgian car industry half-

'For the most part we are cheaper than our sister companies in other parts of Europe'

way between the free-trade camp led by the West German, British and Dutch governments and the protectionist camp of France, Italy and Spain — but it is noticeably more forthright than that of the Belgian Government which has hardly dared take a stance.

One reason why the positions of the Government and

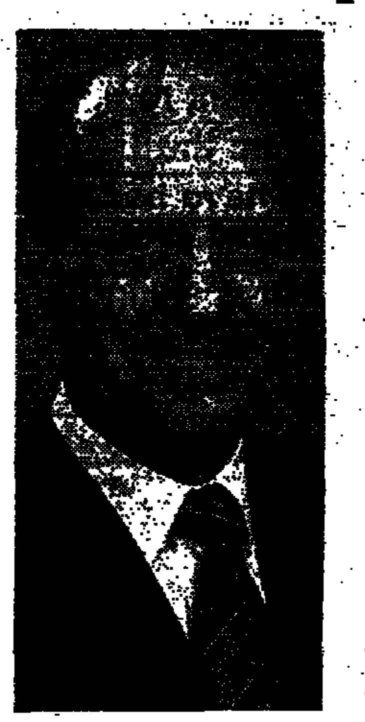
CAR ASSEMBLY 1989	
Ford	386,903
General Motors	374,146
Renault	196,697
Volkswagen	188,219
Volvo	94,655

Febiac

car industry differ is that the central Government in Brussels must take account of Walloon views and, therefore indirectly, of France's views. However, the car industry is almost entirely based in Flanders and, therefore indirectly, more attuned to the freer-trade mentality of northern European countries.

The other reason, of course, for Belgium's or Flanders' more relaxed attitude is that it is less a maker of its own cars, and more of an assembler of other people's vehicles — albeit a very successful one.

Last year it put together a record 1.25m cars and trucks, up 1.4 per cent on 1988. This is the highest output per head of population in the world, even if the population of Belgium, rather than Flanders, is counted. The added value is not enormous, accounting for less than 2 per cent of gross national product. This is in spite of an increasing amount of components coming from within the country. Ford, for example buys sheet metal from Sidmar (and Cockerill in Wallonia) for its cars at Genk. The employment is significant with some 44,000 people working



Andre Van Roy

directly in the industry with more than 700,000 indirectly.

Mr Van Roy is cautiously bullish on the future. "Today we are short of capacity, and my expectation — despite the forecast by some specialists for a downturn in 1991 — is that the current boom will continue until 1992-3. If peace continues in eastern Europe, that region will be an open market for Western industry, at least until they gear up to compete with us, in, say, six years' time."

However, the Febiac chief stresses that, with little indigenous production except for limited output of trucks by companies such as Van Hool, Jonckheere and L.A.G., the only reasons why foreign companies should want to assemble their products in Belgium or Flanders is "our quality, productivity and flexibility."

The latter is very important at the *moment*, with all the companies trying to meet high demand by squeezing more out of their existing plants. Mr Van Roy's own company, GM, struck a deal with its unions two years ago to switch its work pattern (from eight to 10 hour-shifts) so that its Antwerp factory could be used up to 20 hours a day, but Ford at Genk and Renault at Vilvoorde, near Brussels, have yet to get union approval for similar deals.

"For the most part, we, the Belgian assemblers, are cheaper than our sister companies in other parts of Europe, despite the fact that our wages are second only to those in Germany," Mr Van Roy says. But he goes on to warn that unless this competitive edge is maintained Belgian car assembly could price itself out of the market, just as earlier this century Belgium failed to move from making luxury cars into mass manufacture.

David Buchan

THE ELECTRONICS SECTOR

Flying the technology flag

STRENGTHENING the industrial tissue of Flanders is the grandiose goal of IMEC, according to its marketing director, Mr Johan Van Helleputte. In the six years since it was set up by the Government of Flanders, IMEC is indeed turning into something like the hub of Flemish micro-electronics, linking universities and business, and spinning off people and ideas into the rest of the industry.

The degree to which Flanders can not only attract high technology but innovate will be measured by the results of places such as IMEC. The siting of this non-profit organisation, wholly owned by the Flanders Government, just outside Leuven is no accident. As its real name suggests — Inter-university Microelectronics Centre — it is linked to the universities of Leuven, Brussels and Ghent and to 13 Flemish polytechnics, whose students may spend a year or two at IMEC as part of a post-graduate student course.

Mr Van Helleputte counts it a positive plus that there is an annual turnover of about 25 per cent among IMEC's 380 staff — even if not all of those who leave end up in Belgian companies. The future "bottle-neck of growth" in the industry will be "people, not money," and the more of them that get trained, the better.

A second aim is to help business. For those companies (or universities) who want to design integrated circuits, IMEC can provide prototyping services and make limited amounts of special ICs. The centre, for example, designed the vital chip for a hearing aid developed by Bionic Systems of Antwerp, which was itself the recipient of equity aid from the Flemish Investment Company (GIMV). It is contract work such as this that now earns IMEC some BFr500m a year, approaching the BFr800m subsidy it still gets from its Flemish public owners.

In addition, IMEC has spun

Civil work is more promising than the military sector

off about one new company a year, says Mr Van Helleputte. EDC, set up with Philips and an US company to engineer the results of IMEC research into silicon compilation; COBRAIN, set up by IMEC and GIMV to make etching equipment; UCB Electronics, set by UCB, the Ghent chemical company, to market its joint research with IMEC; and SOLTECH, created to commercialise IMEC research into photovoltaics.

A third rationale for IMEC is to be able to fly the Belgian (or Flemish) flag in the ever-proliferating technology programmes of the European Community. The Leuven organisation is present in some 20 of the Esprit information technology programmes, and in seven Race programmes (focused on telecommunications in which Ghent university is particularly interested).

Thus, in a sense, IMEC is a flag, with a small "f", for the wider group of companies that go under the name of FLAG, standing for Flemish Aero-Space Group. Set up under the auspices of the VEV, the Flemish employers federation, the FLAG numbers some 90 companies in electronics, mechanical engineering, ceramics, and new materials.

The catalyst in creating the group, explains Mr Alex Van Hove, its secretary general, was the woeful position of Flemish, vis-a-vis Walloon, industry in bargaining for offset work on foreign aircraft bought by Belgium. For example, only 22 per cent of offset work on the F-16 fighters bought from the US went to Flanders, with the lion's share going to the airframe and engine companies of the French-speaking south.

Even now, complains Mr Van Hove, the share-out formula is 55 per cent for Flanders, 35 per cent for Wallonia and 10 per cent for Brussels. However, by share of gross national product, population and tax contribution, the Flemish portion should be more like 65 per cent.

Civil work is more promising than military, with peace breaking out in Europe and Belgium doing little more than update its F-16s. Asco of Zaventem and Watteeuw of Bruges are already make leading edge wing flaps for the Airbus, under contract to British Aerospace. ADB, via Bell Telephone, is pitching to supply cabin speaker systems.

Flemish companies, says Mr Van Hove, will be better placed as suppliers, with the decision to assemble at least one Airbus model, the A321, in Hamburg. In space, Advanced Products (a subsidiary of a US company, based in the aptly-named town of Boom) makes seals for Europe's Ariane rockets and Bekaert, the wire-maker, has provided carbon fibre technology to the US Shuttle programme.

So far these contracts contain more prestige than commercial significance. But if Governments switch money from defence to space, FLAG companies might increase their subcontract work in the stratosphere.

David Buchan

Tim Dickson examines a transformation in the textile sector

Foreign hands on the loom

THE VIEW from the company's showroom — flat, fertile fields beyond a slow lazy, river — could hardly be more Flemish. A landscape no doubt little changed since Zeno De Witte and his wife, Leonie Lietaer, set up a small textiles business for their children in the village of Lauwe, near Koortrijk, in 1898.

Not quite 100 years later De Witte Lietaer, the only quoted company in the world-renowned Belgian textiles sector, is itself in the throes of an important transformation following the decision of its third generation family owners to sell the business to Gamma Holding, the biggest textiles group in the Netherlands.

The BFr2.16bn deal concluded this month is another example of a leading Belgian concern passing into foreign hands, a trend which has gathered pace with the advent of the single European market and which seems to be accepted with growing equanimity in Belgium except by those with a sweet tooth. (The sale of the celebrated confectioners Cote d'Or and Godiva to respectively Swiss and US companies is still a painful memory for some).

The agreed bid was made inevitable by the steady dispersal of the 56 per cent family stake into more than 80 individual hands — plus the family's waning involvement in day-to-day management over the last 10 years.

The Dutch company is a partner which knows the European textile business well

It not only solves the always delicate problem of succession but leaves De Witte intact and with considerable freedom to pursue its own destiny.

Mr Andre Nierynck, managing director, is certainly confident that Gamma will be good for him and his employees.

He says the Dutch company is a partner which obviously knows the European textile business well, which is more likely to be sympathetic to his plans for expansion than his less knowledgeable family shareholders, and which neatly complements the Koortrijk company's product range. With a turnover of more than Fl 775m, Gamma comprises about 20 specialised units throughout Europe and is a leader in exotic clothes destined for the African market.

De Witte, meanwhile (turnover BFr2.97bn in 1989) boasts three main activities: cotton spinning (12 per cent of sales), household linen (roughly 44 per cent) and materials for the car industry (also around 44 per cent).

Mr Nierynck says spinning is not an integral part of De Witte's strategy but a traditional service which has been provided for the region's smaller companies. Only 20-25 per cent of production is used in house.

"Some years it is very profitable, others less so. It is very much an up and down business," explains Mr Nierynck philosophically.

Most of De Witte's investment — likely to be of the order of BFr200m to BFr300m for the next two to three years — has been going into the other two legs of the business.

On the automobile side, De Witte supplies many of the big European manufacturers, plus Toyota of Japan and Zil Limousines in the Soviet Union, with materials for car seats, door panels and ceiling.

It is a competitive business in which the Flemish company is up against rivals such as Courtaulds in the UK, Thierry in France and Abel of Austria, and which requires the company to respond to the rapidly changing requirements of its customers.

"All the decisions are taken outside Belgium," says Mr Nierynck. "With car output shifting from centre to centre our customers decide where they want us to deliver our products."

Another challenge is shifting fashion. "At the moment the tendency is to put velvet in cars. Fortunately woven velvet — one of the few products that we don't make — is part of the Gamma product range."

Household textiles (napkins,

Gamma is a leader in exotic clothes destined for the African market

sheets, table cloths etc) is a more stable "third leg" to De Witte's activities though the market certainly doesn't stand still either.

There are two main outlets — the "private" market which means department stores and mail order and which is not doing so well at the moment, and the "contract" side for hotels, restaurants, hospitals and public administration offices.

Here De Witte has recently built a new factory with the aim of becoming a European market leader, while Mr Nierynck points out that the growth of hotels and tourism has proved highly profitable all over the world.

Returning to the Gamma deal, he points out that: "It would not have happened if the family hadn't wanted to sell."

There were no financial pressures — the recent sale of a minority stake in a Belgian carpet making business, indeed, has enabled De Witte to repay most of its long term debt — "but it is the best way to guarantee our survival in the world beyond 1992," he argues.

PROFILE: merchant bank

A small financial powerhouse

FLANDERS may have a reputation for dynamism, inventiveness, and all round entrepreneurial skill — but the financial powerhouse of Belgium remains mainly in French speaking hands.

It was partly to do something about this that a group of Flemish businessmen in late 1987 conceived the idea for Lessius, a fledgling merchant bank set up to service the region's rich seam of small and medium-sized family companies.

"There was something ideological about it," explains Mr Francis Depre, the recently arrived managing director. "It was a case of the founders wanting to do something to control their own financial destiny."

Lessius got off to a high profile start in 1988 when it hit the headlines as a member of the Franco-Belgian shareholder alliance which kept Mr Carlo de Benedetti out of Société Générale de Belgique.

Its near 1 per cent stake might have been vital to the Italian industrialist but Lessius was anxious to play a role in what became known as the "Belgian anchor" in the large industrial and commercial holding.

Things since then have been considerably quieter. Lessius has engaged in a variety of

Carlo de Benedetti: gave Lessius a high-profile start

fee-driven activities, including management consultancy, financial engineering, management buy-outs (and ins) and private placements but so far has only participated selectively in development capital situations.

All that is about to change with plans at Lessius well under way for the launch of what Mr Depre hopes will be a BFr2bn fund to finance equity investments in established family businesses in the Benelux area (centred on Flanders but taking in a geographical spread which may include the area of France near the Channel tunnel).

"Belgium is a country of small and medium-sized businesses," observes Mr Depre. "The large companies like the SGB, Groupe Bruxelles Lambert and Raffinerie Tirlemontoise are increasingly being controlled from abroad and in my view this trend will continue. The SMEs are the dynamic element in the economy."

Some BFr600m has been committed to the Benelux fund by Lessius' shareholders — they read like a Who's Who of well-known Flemish businessmen — but outside institutional investors are being approached, including British, French and Dutch participants.

"We will definitely not be into venture and seed financing," says Mr Depre. "Ideally we will be aiming for large minority stakes in about eight to 10 companies with a proven track record, which we can help by improving their capital structure, advising on their strategy, expanding their horizons in view of 1992, and ultimately bringing to the stock market."

Mr Depre, who came from Dillon Read, the Wall Street investment bankers, is in no doubt about the "huge" market potential and believes that Flanders and Belgium are about five years behind the Netherlands, and seven to eight behind the UK.

"To do well we will have to be quicker than the competition", he says in a reference to established players such as Petercam, Banque de Groof, and Kredietbank.

An important element to Lessius' success, he believes, will be the use it is able to make of its close shareholder network, in which no less than half Belgium's industries are represented.

Tim Dickson

Belgium's last mines are rapidly being closed down. **David Buchan** reports

A cavalier approach wins the day

"IT WILL be a city created by and for Europeans, where all nationalities will be able to meet, and which will be accessible and alive each day of the year" – *publicity brochure for ERC.* "If it works, OK; if it doesn't, we're going to get the biggest ghost town in Europe" – *local Limburg journalist.*

The "it" is ERC, standing for Education, Recreation, Culture. These are to be the three themes for what is eventually meant to be Europe's BFr30bn ripostes to Disneyworld, encompassing a film city, garden park, amphitheatre, golf course, theatre, artefactory, exploratorium, and football stadium, centred on the old Limburg mines and spread over 2,000 hectares.

Phoenix-like, a new city is supposed to arise from the slagheaps of the Waterschei mine, outside Genk. Indeed one such slag heap is to be kept black and pointing to the sky (while others are levelled off and landscaped); grey sludge pools will become a blue lake; and Dickensian mine buildings will house a permanent museum of European cinema.

The Limburg miners have long sat on a special pedestal

The man behind what must be the largest coal reconversion plan conceived is Mr Thyl Gheyselinck, brought in three years ago to turn around Belgium's last remaining coalmines in the Flemish province of Limburg. He has done that, by shutting them down quicker than anyone ever thought possible.

ERC apart, there are two shocking things about what Mr Gheyselinck has done. One is that anyone should dare treat coal miners so cavalierly, just like any other industry. As elsewhere in Europe, the Limburg miners have, because of the toughness of their livelihood, long sat on a special pedestal – to the extent that in Belgium the only un-royal visage on the coinage is that of a miner on the half franc. A previous bid to close mines back in 1966 led to riots that killed three people, and for the subsequent 20 years this deterred anyone from pushing closures too hard.

Second, Mr Gheyselinck has been backed by the Flemish Government. That he should have been supported by the central Government in closing down three of the five mines within 14 months of his appointment as chief of the Kempense Steenkolenmijnen (KS) was to be expected; Central government was, almost by definition, remote and heartless. But when the Flanders government – supposedly more caring towards its Flemish electorate and whose new economics minister, Mr Norbert De Batselier, is a socialist with union connections – backed Mr Gheyselinck's audacity in suggesting that the last mine be closed by by the end of 1991, then clearly something very odd has happened.

After another plan to cut 3,000 mine jobs died at the hands of striking miners in 1986, a despairing Belgian government decided that it needed a tough outsider to sort out the mess, just as it had called in a Frenchman, Mr Jean Gandois, to sort out the ailing steelmaker, Cockerill Sambre, in Wallonia. So it head-hunted Mr Gheyselinck from his post in charge of Shell operations in Portugal.

Mr Gheyselinck, though a Belgian passport holder, had spent so much time around the world in the service of the Dutch multinational as to qualify as a virtual foreigner. Indeed Limburgers dub him "the Dutchman."

There is a certain parallel with Mr Ian Macgregor, the Scots-American, brought in by Mrs Thatcher to cut Britain's steel and coal down to size. "But at that stage," says Mr Gheyselinck, "the Government just wanted to halve the losses" which had mounted to an enormous BFr13bn a year.

He came up with a much more brutal conclusion – that "economically, technically, there was no longer any justification for producing one single tonne of coal in Belgium."

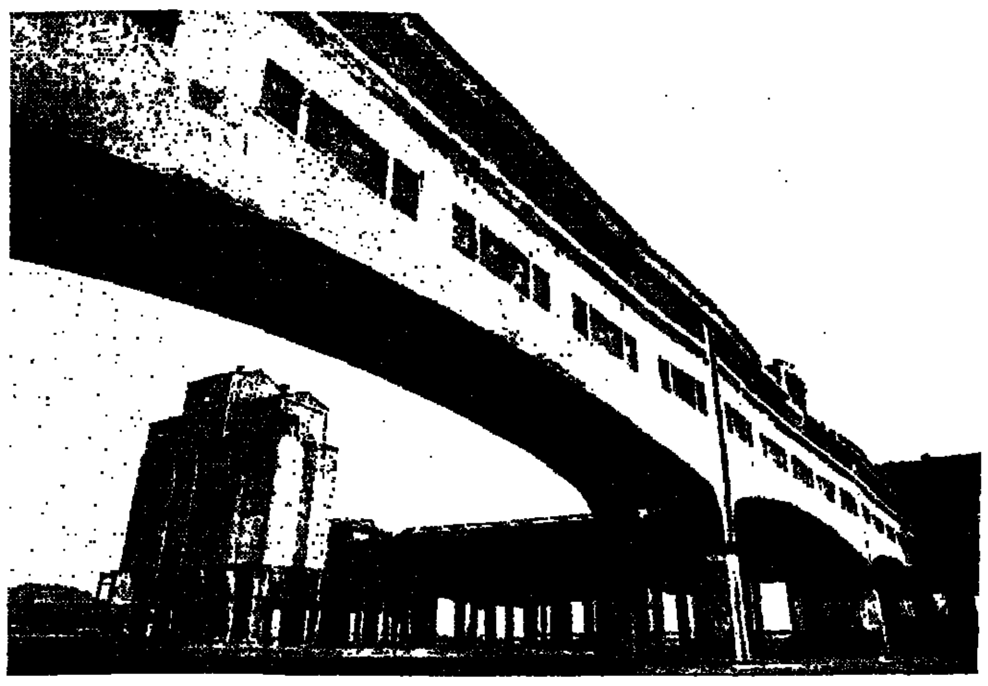
More than 60 years of mine workings has meant that men have to travel at least an hour underground before they reach coal faces. By 1986 the government subsidy of BFr1.2m per coal miner was exactly equal to a miner's total annual pay. In other words, says Mr Gheyselinck, "the country would have no worse off if the miners had stayed in their beds."

So for the man from Shell, closure of the mines was, from day one, simply a social problem. But solution to the problem could only be reached if all three parties in the affair could be satisfied – the KS miners who were more interested in getting money than digging coal, the surrounding community with its interest in the miners' purchasing power, and the taxpayers who did not want to go on pouring money into the ground.

The key was to set a money limit on the closures – the three easterly mines were to be closed at a cost of no more than BFr28bn, with savings invested in new jobs. This was a large sum of money, but represented less than three years subsidy: "The potential to do positive things was so great because the losses were so large," says Mr Gheyselinck.

Given the money at his disposal, the man from Shell had one further financial ace up his sleeve. Of various redundancy terms that included work in the remaining two KS mines, the most generous was BFr800,000 net of tax, with the proviso that anyone who accepted it would have to leave at a time of the company's choosing. This proved by far the most popular option, as the management had hoped; for it wanted to avoid the usual situation in which the best quit first, thus disrupting, even endangering, an orderly run-down of the mine.

The upshot was that the three mines were closed not in seven years, as many had forecast, but in seven months, leaving BFr11bn unspent out of the allotted BFr28bn. With BFr3bn of this windfall, and a matching BFr2bn from the Flanders Government, the Limburg Investment Company (LIM) was started up to to generate alternative employment.



Thyl Gheyselinck: the man behind the coal reconversion plan that will see a new city built on the site of the Waterschei mine, outside Genk (above)

Some BFr7bn, is to be invested in the ERC project. Mr Gheyselinck says he will get another BFr1.1-5bn from the Flanders Government, and when all the feasibility work on ERC is completed, sometime later this year, he will be seeking seven other partners, mainly from other European countries, to take a share.

On the two western mines, Mr Gheyselinck has done a deal with the Flanders Government which took over responsibility for the mines in January 1989, as part of the latest devolution. The mines will be closed by the end of 1991, not 1996 as earlier planned by the central Government, though miners have been guaranteed work and income until 1996.

Savings (from the existing level of subsidy) would be split 50/50 between KS and the Flanders Government. Each, in the event, will get about BFr11bn. At present, there are still about 3,500 miners, of which about 1,500 will take their money and run. However, some 2,000 of them want to stay on until 1996 to get the miners' pension that comes automatically after 20 years service.

As many of these would-be pensioners are only in their late 30s or early 40s, Mr Gheyselinck has conceived the idea of going temporarily into construction. To this end, KS has bought majority control of a Ghent-based building company that happens to have a lot of managers but few hod carriers.

"At the moment, we only know how to dig coal out of the ground," says Mr Gheyselinck, "we have 21 months (until end-1991) to gear up for other activities."

He seems confident of success. Others are less so. Mr Eddie Graller, secretary of the local socialist cell of the mine workers union, is concerned lest the ERC project becomes a sort of "open air" pit, which if not profitable might have as sorry an effect on the local community as the original mines.

In the headquarters of the Limburg development authority in Hasselt, officials give Mr Gheyselinck their backing, but are not very hopeful of finding alternative jobs for some 1,500 Turkish and Moroccan miners whose lack of basic Flemish ill fits them for most aboveground jobs.

But the man from Shell scoffs at the doubters, "particularly those people who having had no thought about past subsidies now worry about profitability."

Limburg, a traditional backwater of Flanders, "needs to take some risks" if it is to seize its chance to catch up with the rest of the region, he says.

PROFILE: multinational group

Not just a family affair

SMALL, family-run businesses are the rule in west Flanders. Bekaert, however, is the exception that proves such rules are worth breaking.

The Kortrijk-based group has become the only genuinely Flemish multinational, the world's largest maker of steel wire and cord, with a turnover last year of BFr61.2bn and more than 10,000 people on its direct payroll and another 8,000 in associated companies.

A little more than a century ago, Leo Leander Bekaert started making barbed wire for local farmers. Today the company that bears his name buys some 1.5m tonnes of steel wire rod a year and stretches and coats it to make everything from garden fences, high-tension cables for suspension bridges, steel cord for radial tyres, to stainless steel to insulate booster rockets in the US Space Shuttle programme.

Bekaert's range has seen some expansion in recent years

Bekaert's post-war history contains two milestones. In 1970 the Bekaert family broke with west Flanders tradition and floated the company on the Brussels stock exchange, though today it still retains 48 per cent of the equity with much of the rest owned by Belgian institutional investors.

The flotation paved the way for a large expansion, not only in Belgium but also Spain, the US, even as far afield as Brazil. The second milestone came in 1983 with the Bekaert family agreed to give the chief executive's job to an outsider – Mr Karel Vinck, an engineer with previous experience in the Belgian building industry.

Given the sorry early 1980s business climate, the company attempted a re-think of its strategy, but was forced back, says Mr Vinck, to the conclusion that it must first try to achieve world dominance in its specialities before it could seriously consider diversifying into other sectors.

Since then, it has forged ahead down the parallel tracks of its two main product lines – wire and steel cord. In the first of these sectors, a large move was the 1989 purchase of majority control of TWIL, the Sheffield wire product maker (still 40 per cent owned by British Steel). TWIL has become the core of Bekaert's industrial wire operation in Europe, with direct responsibility for speciality and general wire products remaining in Kortrijk.

Bekaert claims to have captured half of the recent growth in world demand for steel cord, so that it accounts for 35 per cent of the world market (and more if companies that integrate steel cord and car-related manufacture are excluded). Mr Vinck predicts growth in this sector will slacken in the early 1990s as the US and Japan join Europe in moving over to steel-reinforced radial tyres. So, to maintain its overall growth, what should Bekaert move into next?

Mr Vinck is decidedly coy here, saying that Bekaert should get into products "based on our technological strength and which we understand." The only clue he gives about new ventures is that they should exploit Bekaert's expertise in metal coating. Diversification has so far been a mirage. Back in 1981, for instance, Bekaert declared its intention to have within a decade a quarter of turnover in products in which it was not at that time involved.

In fact, the company's range has spread a bit in recent years, into fibres, composite materials, and the service sector with its Bekaert-Stanwick consultancy. Mr Vinck admits that Belgian companies channel their R & D efforts too much into process ("how to make") rather than products ("what to make"), because too many businesses are run by engineers. But he exempts from this criticism himself – he also has a management degree from the US – and Bekaert, which, he says, has always been very oriented towards its customers' needs. Diversification will be the test of whether Mr Vinck is right.

David Buchan

Floral treats abound, says **Eugenie Maechling**

Gardens that beckon a spring-time visitor

MORE THAN poppies grow in the fields of Flanders and for those tourists who prefer gardens and greenhouses to museums, spring is the time to visit the Flemish coast and countryside.

After a good seafood meal at Ostende head east along the coast to the chic seaside resort of Knokke-Heist. There in the middle of town is a greenhouse with a difference.

It contains not only tropical plants but over 300 exotic butterflies that flutter about settling on the visitor's arm or head. This sanctuary (at Bronlaan 14) is run by the same private company that manages the astonishing nature reserve Het Zwin just outside Knokke-Heist.

The reserve covers about 150 hectares of sand dunes and salt marshes sheltering colonies of migratory birds and rare species of plants and flowers. About two-thirds of the domain is accessible to the public and the rest by special appointment.

From the coast it is less than an hour's drive to Bruges where, as Arnold Bennett once commented, one is "assailed on every side by the picturesque." In April there are few spots in the world as lovely as the silent courtyard of the Beguinage covered with daffodils surrounded by the white-washed brick façades of the convent buildings.

Outside, along the Minnewater, there are a few simple but attractive cafes where the footsore may recover their spirits.

Fortunately there are other ways to get about Bruges than on foot, such as horse-drawn carriage or a boat along a canal.

While others are exploring museums, seek retreat in the delightful sculpture garden, the Arentspark next to the Brangwyn museum. This is one of the loveliest spots in Bruges connected to the imposing Gruuthusemuseum by the Bonifaciusbrug, a humpbacked bridge over the River Reie that provides charming views in every direction.

To ferret out the rest of Bruges, take a copy of a new guide by Derek Blyth, Flemish Cities Explored, which in the tradition of the old Baedekers describes a series of walks through the town.

If Bruges is too crowded, a trip to the château of Loppem,

In April there are few spots as lovely as the silent courtyard of the Beguinage

five kilometres away, provides a stunning example of Flemish neo-gothic architecture (curiously enough designed in the 1850s by the English architect Edward Welby Pugin). The baronial interior of the château is well preserved and open to the public as is the park and gardens which includes a tortuous labyrinth more than two kilometres in length.

Not far from Loppem is the abandoned gothic château of Tillegem surrounded by a moat and approached through an overgrown park that retains some of the vestiges of the formal gardens and outbuildings which have fallen into disuse over the past few decades.

Tillegem has suffered the fate of several other châteaux in Flanders: the French speaking aristocratic owners have long since died out and the property has been left to a local commune with slender resources for its restoration or maintenance.

Taking the road back to Brussels a stop at Ghent is a must for any tourist/gardener. In the last week of April, Ghent stages its answer to the Chelsea Flower Show, the Floralies. The first Ghent flower show took place in 1809 and since the end of the Second World War it has been held every five years.

This year (April 21-29) the exhibition takes over the Expo centre on the outskirts of Ghent but in previous years it was held in the Citadel Park next to the University Botanical Gardens. These are worth a visit because of the clever use of a very limited space that is packed with a variety of landscapes and plant types.

To the east of Ghent the moated château and park of Laarne was originally one of the three medieval fortresses that guarded the plains around the city and it preserves the atmosphere and style of a feudal keep. Transformed from a fortress into a château during the 18th century, Laarne was restored in the 1960s and houses gothic tapestries, furnishings and a collection of gold and silverwork.

To the south-west of Ghent on the banks of the river Lys, the château of Ooidonk resembles a somewhat fanciful Flemish version of a Cambridge college. Although it was originally a fortification for Ghent, its reconstruction in the late 16th century gave its a series of bulb-shaped towers surmounting its perfectly symmetrical, nicely rounded wings.

Its lawns seem ideally suited to croquet or cricket which adds to its college atmosphere. The interior, however, is purely 18th century French with collections of paintings, tapestries and other furnishings.

On the way back to Brussels on the north-west side lies one of the finest Belgian châteaux, Grand Bigard. Charles Baudelaire, no admirer of Belgium otherwise, wrote of this château that "there everything was orderly and beautiful, luxurious calm and desirable."

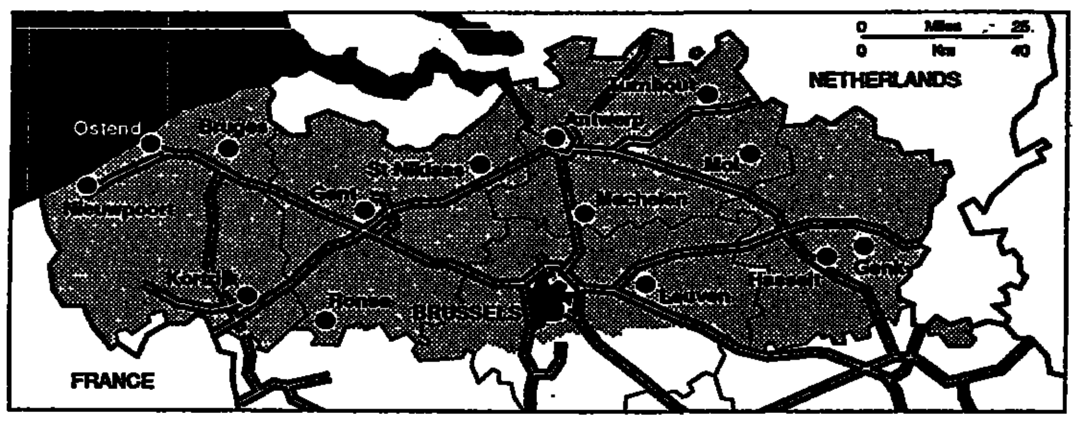
It is a remarkable example of Flemish renaissance architecture approached across a river through a gatehouse that leads into a formal park with paths that lead like spokes off to other parts of the garden.

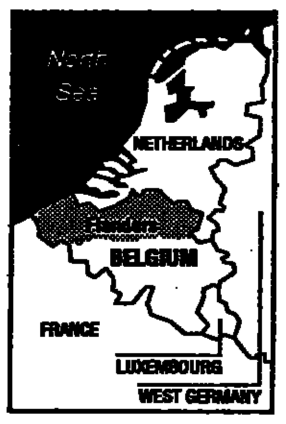
Heading back into Brussels from Grand Bigard, a final stop for the gardening tourist must be at the Royal Greenhouses of Laeken just to the north of the city.

These spectacular structures are only open once a year from the end of April through the first week of May. The greenhouses seem to cascade down the hillside as one descends through glass tunnels hung with fuchsia of every variety whose walls are covered with climbing geraniums.

The displays of azaleas are wonderfully garish and the hothouses drip with tropical blossoms. At this point one has literally crossed the frontier, away from the fields and history of medieval Flanders and into an environment redolent of the Belgian Congo and the country's imperial past.


In the last week of April, Ghent stages the Floralies, its answer to the Chelsea Flower Show





THE CHEMICALS INDUSTRY

Undeterred by export worries

INVESTMENT in the chemicals industry is on the increase, undeterred by the recent contraction of some of its leading export markets.

Mr Paul Launois, economic adviser to the Belgian Chemical Industry Federation, says turnover for the country reached BFr924bn last year, up 10.8 per cent compared with 1988, with more than two-thirds generated in Flanders.

Antwerp is the fastest-growing centre and the magnet that has attracted the main chemical groups which, with the notable exception of Solvay, are all foreign-owned.

Agfa-Gevaert, the largest with more than 10,000 employees, is located outside the main port area which houses the local subsidiaries of BASF, Bayer, BP, Monsanto, 3M and Union Carbide.

Other main centres include Tessenderlo on the Ghent-Liege Canal and Ghent, specialised in basic chemicals and aromatics. Around these centres are scattered hundreds of small speciality producers.

Development at Tessenderlo stalled when the local west Flanders authority refused Destructo, the Belgian speciality plastics recycling and disposal operator, permission to extend its waste disposal site. But this aside, the influence of the environmental lobby has been relatively slight. Experts say new EC production standards and restrictions on the use of certain chemicals and plastics represent the greatest environmental challenge.

This year, investment is expected to reach BFr80bn, with more than 60 per cent in basic chemicals. This continues the upswing recorded since the mid-1980s with investment rising from BFr36.4bn in 1987 to BFr57bn in 1988 and BFr70bn last year.

Although the industry has opposed negotiations, it appears unruffled by the prospect of a free trade agreement with the six-member Gulf co-operation council, that would give gulf exporters free access to the EC market at the end of an eight to 16-year transition period.

However, the mood of economic optimism has been dampened by gaping and growing staff shortages.

Mr Albert Janssens de Bisthoven, director of social affairs, warns that future prosperity is constrained by a shortage of skilled labour: "There are major shortages both of university graduates and technically-trained school leavers," he says. The industry is the single largest employer in Flanders, with more than 102,000 people in 800 companies across Belgium.

Export-oriented production, with more than 70 per cent of turnover generated abroad, means language skills are vital. Specialisation is less important than aptitude in an area where a high level of job mobility within companies and across the industry demands versatility.

"A national ban on night work for women rules them out of continuous shift work. Overall, women account for only 21 per cent of staff, although this is 28 per cent and rising among white collar workers," Mr Janssens de Bisthoven says.

The industry is combating the skills shortage by setting up its own in-house apprenticeships for school leavers offering training two days a week. The programme, which trains process operators and began in Antwerp in 1987, is expected to take 100 trainees this year.

In the ammonia sector, where natural gas accounts for some 80 per cent of production costs, competition from Trinidad and Tobago and the Soviet Union caused local prices to fall by half to about $110 a tonne. Belgian ammonia producers, who are bound to buy North Sea gas from the state-run Distrigaz, are considering involving legislation dating from 1983 which would allow them to break the monopoly to protect vital national interests.

Belgium has a glut of gas but the monopoly's stranglehold over supply is forcing large consumers to consider importing from their subsidiaries in the way BASF did in West Germany via Wintersahle.

Lucy Walker

PROFILE: Andre Leysen

The case for a global outlook

THE FLEMISH were right to have fought to establish their cultural identity, but they should not become provincial in business warns one of Flanders' premier industrialist/financiers.

Mr Andre Leysen, a pillar of the Flemish business establishment, says that for Flanders, in the heart of Europe, "our vocation is an international one", and he cautions against economic xenophobia taking root.

On the national level, he is very much opposed to a current draft law which would give central Government the right to vet all sizeable sales of Belgian assets to foreigners. On the regional level, he believes "the possibility of Flanders having its own economic policy is limited, when even Belgian economic policy is really made in places such as Bonn and Washington."

Maybe, he says, "some peoples' hearts will beat faster, if they think capital in Flanders can be kept in Flemish hands." But this is an illusion. The reality is that "most of Flanders' big industry is in what I would call Nordic hands – German, Scandinavian, Dutch, even the US and UK – while its finance is French-dominated." Examples include the big Belgian insurance companies, and Société Générale de Belgique, controlled by the Suez Group.

"We can live very well with this," he says. In any case, he adds, the sums of money which the Flanders Government has to invest are too marginal to reduce this foreign domination of the commanding heights of the Flemish economy.

Such views are rather to be expected from a man who used to head the Belgian end of Agfa-Gevaert, the joint Belgo-German photographic company, until he sold it to Bayer, the West German partner. (Such 50/50 companies are unworkable, he concludes, not least because of lack of any common European tax regime.) He and other Flemish investors put the proceeds of the sale into Gevaert, now one of the biggest financial holding companies in Flanders. But Gevaert is hardly a Flemish economic nationalist in its principles – one of its largest shareholders is Cobepa of France, while its portfolio is heavily German and Dutch.

Gevaert, of course, grew when it made a BFr3bn profit by taking a quick stake in Société Générale at the outset of the De Benedetti battle two years ago, ostensibly to thwart the Italian and then selling out to him.

Mr Leysen does not see this as contradictory: "I was never against a foreign company taking a large slice of Société Générale, which needed shaking up. I just wanted to structure the shake-up around a co-operation between Belgian and other interests."

David Buchan

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FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday May 4, 1990. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	59.7891	35.7657	37.7735
Albania	(Lek)	10.1117	6.0913	3.6438	3.8484
Algeria	(Dinar)	13.18	7.9397	4.7495	5.0161
Andorra	(Fr Fr)	9.3125	5.6099	3.3558	3.5442
	(Sp Peseta)	173.35	104.4277	62.4684	65.9752
Angola	(Kwanza)	49.5455u	29.9180	17.8542	18.8565
Antigua	(E Carr $)	4.4483	2.6796	1.6029	1.6929
Argentina	(Austral)	8311.40	5006.8674	2995.0990	3163.2350
Aruba	(Florin)	2.9490	1.7765	1.0627	1.1225
Australia	(Aus $)	2.1990	1.3246	0.7924	0.8369
Austria	(Schilling)	19.515	11.7560	7.0324	7.4272
Azores	(Port Escudo)	245.20	147.7108	88.3603	93.3206
Bahamas	(Bahama $)	1.6600	1	0.5981	0.6317
Bahrain	(Dinar)	0.6140	0.3698	0.2212	0.2336
Balearic Is	(Sp Peseta)	173.35	104.4277	62.4684	65.9752
Bangladesh	(Taka)	54.50	32.8313	19.6396	20.7421
Barbados	(Barb $)	3.3136	1.9961	1.1940	1.2611
Belgium	(Belg Fr)	57.25	34.4879	20.6306	21.7887
Belize	(B $)	3.2950	1.9849	1.1873	1.2540
Benin	(CFA Fr)	465.63	280.5000	167.7945	177.2140
Bermuda	(Bermudian $)	1.6600	1	0.5981	0.6317
Bhutan	(Ngultrum)	28.20	16.9879	10.1621	10.7326
Bolivia	(Boliviano)	5.1237	3.0865	1.8463	1.9500
Botswana	(Pula)	3.10	1.8674	1.1171	1.1798
Brazil	(Cruzado)	112.815	67.9608	40.6540	42.9362
British Virgin Is	(US $)	1.6600	1	0.5981	0.6317
Brunei	(Brunei $)	3.1110	1.8740	1.1210	1.1840
Bulgaria	(Lev)	1.3122	0.7904	0.4728	0.4994
Burkina Faso	(CFA Fr)	465.63	280.5000	167.7945	177.2140
Burma	(Kyat)	10.7780	6.4927	3.8839	4.1019
Burundi	(Burundi Fr)	292.50	176.2048	105.4054	111.3225
Cambodia	(Riel)	361.88o	218	130.4072	137.7278
Cameroon	(CFA Fr)	465.63	280.5000	167.7945	177.2140
Canada	(Canadian $)	1.9335	1.1647	0.6967	0.7358
Canary Is	(Sp Peseta)	173.35	104.4277	62.4684	65.9752
Cp. Verde	(CV Escudo)	120.1357	72.3709	43.2921	45.7224
Cayman Is	(CI $)	1.3674u	0.8300	0.4927	0.5204
Cent.Afr. Rep	(CFA Fr)	465.63	280.5000	167.7945	177.2140
Chad	(CFA Fr)	465.63	280.5000	167.7945	177.2140
Chile	(Chilean Peso)	489.42	294.8313	176.3675	186.2683
China	(Renminbi Yuan)	7.7554	4.6719	2.7947	2.9516
Colombia	(Col Peso)	782.99	471.6807	282.1585	297.9980
Comoros	(CFA Fr)	465.63	280.5000	167.7945	177.2140
Congo (Brazz)	(CFA Fr)	463.63	279.2951	167.0738	176.4529
Costa Rica	(Colon)	143.4149	86.3945	51.6810	54.5822
Côte d'Ivoire	(CFA Fr)	465.63	280.5000	167.7945	177.2140
Cuba	(Cuban Peso)	1.3127	0.7907	0.4730	0.4996
Cyprus	(Cyprus £)	0.7870	0.4740	0.2836	0.2995
Czechoslovakia	(Koruna)	26.92c	16.2168	9.7009	10.2454
		43.87t	26.4277	15.8090	16.6964
Denmark	(Danish Kroner)	10.5375	6.3478	3.7972	4.0104
Djibouti Rep	(Djib Fr)	291.00	175.3012	104.8648	110.7516
Dominica	(E Carrib $)	4.4483	2.6796	1.6029	1.6929
Dominican Rep	(D Peso)	13.8845	8.3641	5.0034	5.2843
Ecuador	(Sucre)	1184.96o	713.8313	427.0126	450.9838
		1284.68a	773.9036	462.9477	488.9362
Egypt	(Egyptian £)	4.39	2.6445	1.5819	1.6707
El Salvador	(Colon)	10.3911	6.2596	3.7445	3.9547
Equat'l Guinea	(CFA Fr)	465.63	280.5000	167.7945	177.2140
Ethiopia	(Ethiopian Birr)	3.3856	2.0395	1.2200	1.2885
Falkland Is	(Falk £)	1.00	0.6024	0.3603	0.3805
Faroe Is	(Danish Kroner)	10.5375	6.3478	3.7972	4.0104
Fiji Is	(Fiji $)	2.5304	1.5243	0.9118	0.9630
Finland	(Markka)	6.5530	3.9475	2.3614	2.4940
France	(Fr)	9.3125	5.6099	3.3558	3.5442
Fr. Cty/Africa	(CFA Fr)	465.63	280.5000	167.7945	177.2140
Fr. Guiana	(Local Fr)	9.3125	5.6099	3.3558	3.5442
Fr. Pacific Is	(CFP Fr)	168.00	101.2048	60.3405	63.9391

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Gabon … Mozambique	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Namibia	(S A Rand)	4.4063	2.6543	1.5878	1.6769
Nauru Is	(Australian $)	2.1990	1.3246	0.7924	0.8369
Nepal	(Nepalese Rupee)	46.789	28.1861	16.8609	17.8074
Netherlands	(Guilder)	3.1175	1.8780	1.1234	1.1864
N'ad Antilles	(A/Guilder)	2.9490e	1.7900	1.0627	1.1223
New Zealand	(NZ $)	2.8948	1.7438	1.0431	1.1017
Nicaragua	(Cordoba)	83755.50	50455.1204	30182.1621	31876.4985
Niger Rep	(CFA Fr)	465.63	280.5000	167.7945	177.2140
Nigeria	(Naira)	12.9823	7.8206	4.6783	4.9409
Norway	(Nor. Krone)	10.7725	6.4894	3.8819	4.0999
Oman	(Rial Omani)	0.6270	0.3777	0.2259	0.2386

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Pakistan … Venezuela	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Vietnam	(Dong)	7413.75	4466.1144	2671.6216	2821.5984
Virgin Is-British	(US $)	1.6600	1	0.5981	0.6317
Virgin Is-US	(US $)	1.6600	1	0.5981	0.6317
Western Samoa	(Tala)	3.7892	2.2826	1.3654	1.4421
Yemen	(Rial)	19.8524	11.9592	7.1540	7.5556
Yemen PDR	(Dinar)	0.5602u	0.3400	0.2018	0.2132
Yugoslavia	(Dinar)	19.2124	11.5737	6.9233	7.3120
Zaire Rep	(Zaire)	878.46	529.1927	316.5621	334.3350
Zambia	(Kwacha)	64.10	38.6144	23.0990	24.3958
Zimbabwe	($)	4.0075	2.4141	1.4441	1.5252

Special Drawing Rights May 3, 1990 United Kingdom £0.794372 United States $1.30420 Germany West D Mark 2.19536 Japan YenNA European Currency Unit Rates May 4, 1990 United Kingdom £0.740131 United States $1.21937 Germany West D Mark 2.04890 Japan Yen193.477

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar; Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5. Friday May 4, 1990. φSierra Leone, 30 April 1990: Leone devalued by approx. 25%

CONTRACTS

Tarmac wins £47m office development

TARMAC CONSTRUCTION has been awarded a £47m contract for an office development in central London.

The project, at the junction of Horseferry Road and Marsham Street, Westminster, is for Pearl Assurance.

Existing offices now being demolished will be replaced by a six-storey, L-shaped building with a basement and plant rooms.

Most of the building will consist of open office space, with retail and banking areas on the ground and basement floors.

The structural frame of the building, due for completion in the late summer of 1992, will be of reinforced in-situ concrete on piled foundations with a traditional stonework facade.

Mr Richard Fillenham, executive director of Tarmac Construction's major projects division, said: "Great care has been taken with the design and the use of stonework and brick to ensure the building is in keeping with the character of the area."

Laboratory

LAING CHILTERN has won a £3.7m contract to build a laboratory and administration block for Oxford University. When complete in May 1991 the building will offer improved facilities for the plant sciences and glycobiology department at South Parks Road.

Office towers for central Birmingham

An office scheme forming a gateway to Birmingham's financial and professional quarter is being built by ALFRED MCALPINE CONSTRUCTION under a £29m contract placed by the Church Commissioners.

Work has started on the former Debenhams store site opposite Snow Hill Station at the head of Colmore Row. Completion is scheduled for late 1991.

To be known as Colmore Gate, the building will provide 165,000 sq ft of office space in two towers, one of 14 storeys and the other of six. There will be basement car parking, and eight retail units on the ground floor. There will be an atrium containing two scenic lifts.

Project co-ordinators and letting agents, Chesterton, keen to stress the environmentally friendly nature of the building, expect that the scheme will be one of the first to qualify for the new green building certificate launched by the Building Research Establishment.

Bovis to build three Safeway stores

NEW Safeway supermarkets are to be built at Coventry, Crewe and Weymouth by BOVIS CONSTRUCTION. The contracts are together worth more than £16m.

Work is on the largest, on the site of a former sports ground near the centre of Coventry.

The £6.5m, single-storey unit will provide 30,000 sq ft of retail sales space. The building will feature external decorative metalwork as canopy supports and lighting columns and a glazed entrance atrium.

The building, which is based on a concrete substructure, comprises a steel frame and flat roof enhanced by a tiled mansard. It will incorporate a coffee shop, public toilets and a baby change area. Staff amenities include 600 sq ft of office, a restaurant and a lounge.

Bovis has been awarded a £5.2m contract to build a 35,000 st ft Safeway supermarket in 45 weeks on the outskirts of Weymouth.

The building will feature a four-foot sculptured galleon weather van mounted above a pyramidal entrance atrium. The sculpture was commissioned by Safeway to reflect the maritime location.

At Crewe, Bovis starts work this month on a £5.5m, 30,000 sq ft store which is scheduled to open next February.

The store occupies part of the former Crewe Engineering Railway Works. The tilting Advanced Passenger High Speed Train will be displayed next to the development.

Nissan expands Sunderland car plant

Nissan Motor Manufacturing (UK), continuing to expand its car assembly plant in Sunderland, has awarded further design and management contracts worth £14.1m to SIR ROBERT MCALPINE & SONS.

The largest, at £11.5m, is for two single-storey extensions to the east and west of the paint shop, providing an additional 18,848 sq metres; and a single-storey extension to the plastic injection shop, adding 6,480 sq metres space.

Construction, on reinforced pad foundations, will be of structural steelframe, clad with composite steel panels and roofing to match the existing buildings.

Other work includes compressed air installations and modifications to pipework, construction of a second trade effluent plant, and an 11kV main sub-station expansion.

Fitting out BP International's Lutyens building

TAYLOR WOODROW MANAGEMENT CONTRACTING has been awarded a £14m contract by BP International to fit out 1-6 Finsbury Circus, London. The Grade II listed building was designed by Sir Edwin Lutyens for the Anglo-Iranian Oil Co (now BP), and was built in the early 1920s.

Fitting out will create 184,000 sq ft of office space, together with staff restaurants, private dining rooms, conference facilities, and a chairman's suite.

WORLD COMMODITIES PRICES

New York

GOLD 100 troy oz.; $/troy oz. — [illegible]

PLATINUM 50 troy oz; $/troy oz. — [illegible]

SILVER 5,000 troy oz; cents/troy oz. — [illegible]

HIGH GRADE COPPER 25,000 lbs; cents/lbs — [illegible]

CRUDE OIL (Light) 42,000 US galls $/barrel — [illegible]

HEATING OIL 42,000 US galls, cents/US galls — [illegible]

COCOA 10 tonnes;$/tonnes — [illegible]

COFFEE "C" 37,500lbs; cents/lbs — [illegible]

SUGAR WORLD "11" 112,000 lbs; cents/lbs — [illegible]

COTTON 50,000; cents/lbs — [illegible]

ORANGE JUICE 15,000 lbs; cents/lbs — [illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel — [illegible]

SOYABEAN OIL 60,000 lbs; cents/lb — [illegible]

SOYABEAN MEAL 100 tons; $/ton — [illegible]

MAIZE 5,000 bu min; cents/56lb bushel — [illegible]

WHEAT 5,000 bu min; cents/60lb-bushel — [illegible]

LIVE CATTLE 40,000 lbs; cents/lbs — [illegible]

LIVE HOGS 30,000 lb; cents/lbs — [illegible]

PORK BELLIES 40,000 lbs; cents/lb — [illegible]

BASE LENDING RATES

[illegible]

WORLD STOCK MARKETS

AUSTRIA

May 7 — Sch — + or −

[illegible]

BELGIUM/LUXEMBOURG

May 7 — Frs. — + or −

[illegible]

DENMARK

May 7 — Kr — + or −

[illegible]

FINLAND

May 7 — Mks — + or −

[illegible]

FRANCE

May 7 — Frs. — + or −

[illegible]

FRANCE (continued)

May 7 — Frs. — + or −

[illegible]

GERMANY

May 7 — Dm. — + or −

[illegible]

GERMANY (continued)

May 7 — Dm. — + or −

[illegible]

ITALY

May 7 — Lire — + or −

[illegible]

ITALY (continued)

May 7 — Lire — + or −

[illegible]

NETHERLANDS

May 7 — Fls. — + or −

[illegible]

NORWAY

May 7 — Kroner — + or −

[illegible]

SPAIN

May 7 — Pts. — + or −

[illegible]

SWEDEN

May 7 — Kroner — + or −

[illegible]

SWITZERLAND

May 7 — Frs. — + or −

[illegible]

SOUTH AFRICA

May 7 — Rand — + or −

[illegible]

JAPAN

May 7 — Yen — + or −

[illegible]

AUSTRALIA (continued)

May 7 — Aust.$ — + or −

[illegible]

HONG KONG

May 7 — H.K.$ — + or −

[illegible]

AUSTRALIA

May 7 — Aust.$ — + or −

[illegible]

MALAYSIA

May 7 — MYR — + or −

[illegible]

SINGAPORE

May 7 — S$ — + or −

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

4pm prices May 7

Quotations in cents unless marked $.

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MONTREAL

4pm prices May 7

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Total Sales 4,957,926 shares.

INDICES

NEW YORK

DOW JONES — May 7 — May 4 — May 3 — May 2 — 1990 High — Low — Since compilation High — Low

[illegible]

STANDARD AND POOR'S

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

TRADING ACTIVITY

[illegible]

CANADA TORONTO

[illegible]

Composite	3421.60	3367.90	3346.70	3340.40	4009.47 (3/1)	3334.20 (1/5)
MONTREAL Portfolio	1772.44	1742.02	1732.21	1728.09	2060.90 (3/1)	1720.25 (27/4)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

[illegible]

Bangkok SET (30/4/75)	(c)	862.97	856.45	851.25	918.67 (5/1)	760.39 (7/2)
WORLD M.S. Capital Intl. (1/1/70)	(u)	(u)	485.0	483.3	571.0 (4/1)	468.3 (2/4)

**Saturday May 5: Taiwan Weighted Price: 8943.39 Korea Comp Ex. 782.33

‡ Subject to official recalculation.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX—1,000, JSE Gold—255.7, JSE 26 Industrials — 264.3 and Australia All Ordinary and Mining—500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Monday May 7 1990

	Stocks Traded	Closing Prices	Change on day
Nippon Mining	33.2m	1,010	+20
Isuzu	27.9m	1,160	+20
Osaka Gas	27.2m	780	+100
Mitsui Eng. & Shipbld	23.6m	949	+14
NKK	16.0m	608	+10
Furukawa Electric	15.6m	925	+70
Nippon Steel	15.4m	609	+10
MHI	9.5m	954	+16
Sumitomo Metal Mining	8.8m	1,470	+80
Hitachi Zosen	6.2m	864	+9

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
High Income						
American Income	6	49.50	49.50	53.04	5.17	40000
Gilts & Fixed Int	6	100.9	100.9	106.9	10.20	40001
High Inc Equity	6	124.3	127.7xd	135.9	4.67	40002
Worldwide Bond	6	193.6	193.6xd	205.2	6.29	40003
Capital Growth						
American Growth	6	182.3	182.3	195.0	1.06	40004
Asian Pacific	6	131.9	134.7	143.4	0.07	40005
Assets & Earnings	6	143.6	143.6	153.6	5.16	40006
Capital Reserve Acc	0	89.95	89.95	90.03	6.66	40007
Capital Reserve Inc	0	75.61	75.61	75.67	7.93	47580
Commodity & Energy	6	97.23	97.23	104.0	0.81	40008
Dividend & Growth	6	43.86	44.59	47.76	6.71	40071
1992 Enterprise	6	59.34	59.34	63.47	2.52	44597
Euro Capital Acc	6	104.0	104.0	111.3	0.85	40009
Euro Capital Inc	6	99.84	99.84xd	106.8	0.89	47581
General	6	161.9	161.9	173.2	2.89	40010
International	6	58.38	59.13	62.91	0.79	46452
Japan	6	94.13	94.13	100.7	0.00	40011
Mastertrust	6	86.54	86.54	92.56	1.52	40012
UK Growth Acc	6	163.6	163.6	175.0	1.63	40013
UK Growth Dist	6	106.9	106.9xd	114.4	2.49	40014
US Emerging Cos	6	55.07	55.07	58.90	0.00	40015
Income & Growth	6	276.9	276.9xd	296.2	5.46	40016
Ethical	6	44.38	44.38	47.47	2.11	43027

Abtrust Management Ltd (1200)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Amer Inc & Growth	5¼	31.94	31.94xd	34.10	2.25	40019
European	5¼	93.36	93.38	99.48	0.00	40025
European Income	5¼	89.55	89.63	95.68	1.48	41377
Exempt	1	699.7	699.7xd	722.1	1.44	41379
Exempt Income	3¼	163.7	163.7	173.6	5.06	43053
Exempt American	3¼	372.7	372.7xd	390.7	1.99	41094
Exempt Pacific	3½	253.4	253.4	266.5	0.00	41083
[illegible]						

Merlin Jupiter Unit Tst Mgrs Ltd (0905)F
197 Knightsbridge, London SW7 1RB 071-581 3020

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
American Cap	5	103.1	105.8	112.5	0.90	40702
Income	5	86.78	87.56	93.14	4.55	40703
Resources & General	5	111.2	112.5	119.6	2.70	40704
Special Sits	5	31.75	32.92	35.02	3.83	40705
International	5	52.51	52.51	55.86	5.09	40954
Ecology	5	57.16	58.42xd	62.14	1.94	44667

Pearl Unit Trusts Ltd (1000)H
PO Box 500, Thorpe Wood, Peterborough PE3 6GD
Dealing: 0800 626577 Enquiries: 0733 67767

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Growth	5	106.4	108.7xd	114.3	3.71	41121
(Accum Units)	5	174.7	178.5	187.9	3.71	41122
Income	6	164.0	167.2xd	177.8	4.89	41123
Equity	6	167.3	170.2	181.0	3.44	41124
(Accum Units)	6	315.6	321.1	341.5	3.44	41125
Intl Equity	6	172.3	174.5	185.4	2.06	41126
(Accum Units)	6	181.1	183.3	194.9	2.06	41127
UK Income	6	45.27	46.02	48.95	4.92	47020
UK Ind 25	6	45.87	46.49	49.45	3.05	42584

[illegible]

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Thornton Unit Managers Ltd (1000)F						
33 Cavendish Sq., London W1M 7HF 071-493 7262						
Dealing 071-493 8545						
American Opps	5	53.23	54.00	57.59	0.19	41506
(Accum Units)	5	54.78	55.38	59.27	0.19	41507
European Opps	5	76.90	77.08	82.21	0.00	41508
(Accum Units)	5	77.32	77.51	82.66	0.00	46366
Far Eastern Opps	5	129.25	129.51	138.14	0.00	41509
(Accum Units)	5	130.08	130.34	139.02	0.00	41510
Golden Opps	5	35.68	35.68	38.05	0.00	41511
(Accum Units)	5	36.70	36.70	39.14	0.00	46367
Intl Hi-Yield	5	58.99	59.02	62.95	4.37	41512
(Accum Units)	5	64.31	64.34	68.62	4.37	46368
Sanyo Japan Tst	5	62.43	62.43xd	66.58	0.00	41513
(Accum Units)	5	62.43	62.43xd	66.58	0.00	41514
Kangaroo	5	29.34	29.34	31.29	1.34	41515
(Accum Units)	5	29.51	29.51	31.46	1.34	46369
Oriental Income	5	32.87	32.87	35.06	4.99	41516
(Accum Units)	5	37.51	37.51	40.00	4.99	41517
Tiger	5	145.47	145.47xd	155.16	0.71	41520
(Accum Units)	5	148.05	148.05xd	157.91	0.71	41521
UK Hi-Yield	5	40.67	40.67	43.38	5.27	41522
(Accum Units)	5	46.51	46.51	49.60	5.27	46302
UK Opps	5	51.22	53.62	57.33	0.74	41523
(Accum Units)	5	55.81	58.42	62.47	0.74	41524
Three Counties Asset Mngmt Ltd (1430)F						
Cuthbert House, Tower Road, Washington NE37 2SH 091 415 3034						
Balanced Portfolio	6	88.81	90.35	96.12	4.00	47962
Timberlake Trust Mngrs Ltd (0900)F						
1 White Hart Yard, London SE1 1NX 071-407 5966						
Portfolio	2	96.45	96.45	99.11	1.19	42679
Touche Remnant Unit Tst Mngt Ltd (1600)F						
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-248 1250						
4 Hourly Pricing – 12 Noon Historic						
TR American Grth	5¼	46.80	46.80	49.92	0	41525
TR Eur Sp Sits Acc	5¼	45.77	45.77	48.65	0	41526
TR Eur Sp Sits Inc	5¼	44.88	44.88xd	47.70	0	41527
TR Far East Opps Inc	5¼	22.99	23.07	24.35	–	41660
TR Far East Opps Acc	5¼	22.99	23.07	24.55	–	41665

	Bid Price	Offer Price	Yield Gross	City-line
NM Rothschild Asset Management Ltd				
NC Managed	56.4	59.0xd	3.95	40359
NC Property	191.9	209.7xd	–	41205
J. Rothschild Fund Managers Ltd				
Intl Exempt	142.9	144.4	3.58	40172
Stewart Ivory & Co Ltd				
Saints PPP Apr 2	248.4	261.5	0.00	41422
Closed to new business				
Thornton Unit Managers Ltd				
Managed Exempt May 1	97.17	103.88xd	3.98	46975
(Accum Units)	97.93	104.69xd	3.98	46976
Touche Remnant Unit Tst Mngt Ltd				
TR Exempt European	1224	1238xd	1.46	47801
TR Exempt Nth Amer.	941	956xd	3.40	47802
TR Exempt Pac Basin	862	875xd	0	47803

INSURANCES

	Bid Price	Offer Price	Yield Gross	City-line
AA Friendly Society				
(Investment Magt M & G Inv Mngt Ltd)				
AA Friendly Sy Apr 12	–	168.1	–	41607
Abbey Life Assurance Co Ltd				
80 Holdenhurst Road, Bournemouth 0202 292373				
Prop. Ser. 1	299.7	315.5	–	41608
Equity Ser. 1	123.7	130.3	–	41609
Prop. Acc. Ser 2	461.9	486.3	–	41610
Equity Ser 2	143.4	151.0	–	41611

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National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	Yield Gross	City-line
Life Funds				
Managed Cautionary	98.3	103.5	–	47150
Managed Growth	135.3	142.3	–	47151
Managed Opportunity	137.5	144.8	–	47152
NFMC Target Financial	94.2	99.2	–	47153
Pension Funds				
Managed Cautionary	104.0	109.5	–	47154
Managed Growth	138.8	145.3	–	47155
Managed Opportunity	140.1	147.5	–	47156
NFMC Target Mngd Pen	1463.4	1540.5	–	47157

National Mutual Life

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

ISLE OF MAN (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

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[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

GUERNSEY (**)

[illegible]

JERSEY (**)

[illegible]

ISLE OF MAN (**)

[illegible]

LUXEMBOURG (**)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

OFFSHORE INSURANCES

[illegible]

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

UNIT TRUST NOTES

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

MONEY MARKETS

Further gains may depend on RPI

There are some very gloomy forecasts in the City for Friday's UK retail price index, but events last week showed how quickly sentiment can change if the worst fears are not realised. The mood was very pessimistic last Monday, caught between bad trade figures and the local government elections.

UK clearing bank base lending rate 15 per cent from October 5

On Liffe September short sterling hit a low of 84.55 on Monday and closed at 84.61, showing a spread of a mere 8 points over June delivery. At these levels a rise in bank base rates was virtually discounted, but when the local government elections allowed the Tories to claim some success among the list of defeats the market took heart. Even before the election results were known September short sterling moved above resistance at 84.82. The Conservatives success in keeping control of Wandsworth council was a key event pushing the market up to 84.99 before the result at Westminster was known.

Some traders who had missed the earlier price surge probably hoped for Labour to gain Westminster, to provide buying opportunities, but this was not to be and when the Conservatives held Westminster short sterling broke through further resistance at 85.07.

If the year-on-year RPI remains under 10 per cent there may be more room for improvement. The market fears that inflation could be as high as 10.2 per cent, but Mr Nick Parsons, at Union Discount says he will be surprised if it reaches double figures this time. Even when inflation probably peaks in August the figure might be under 10 per cent, according to Mr Parsons.

£ IN NEW YORK

May.7	Latest	Previous Close
£ Spot	1.6685-1.6695	1.6625-1.6635
1 month	0.98-0.97pm	0.98-0.97pm
3 months	2.70-2.68pm	2.70-2.68pm
12 months	9.27-9.17pm	9.30-9.20pm

Forward premiums and discounts apply to the US dollar

CURRENCY MOVEMENTS

May.4	Bank of England Index	Morgan Guaranty Changes %
Sterling	87.6	-23.9
U.S Dollar	68.8	-10.1
Canadian Dollar	104.9	+1.8
Austrian Schilling	109.9	+11.9
Belgian Franc	111.5	-2.1
Danish Krone	111.5	+5.7
Deutsche Mark	119.2	+24.7
Swiss Franc	112.5	+20.5
Guilder	115.1	+16.7
French Franc	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Yen	[illegible]	[illegible]

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

OTHER CURRENCIES

[illegible]

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

EXCHANGE CROSS RATES

[illegible]

EURO-CURRENCY INTEREST RATES

May 4	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D.Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years [illegible] per cent; three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

FT LONDON INTERBANK FIXING

(11.00 a.m. May.4) 3 months US dollars		6 months US Dollars	
bid [illegible]	offer [illegible]	bid [illegible]	offer [illegible]

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime May 7)

Prime rate	10
Broker loan rate	[illegible]
Fed.funds	[illegible]
Fed.funds at intervention	-

Treasury Bills and Bonds

One month	6.89	Three year	8.81
Two month	7.78	Four year	8.82
Three month	8.09	Five year	8.82
Six month	8.28	Seven year	8.86
One year	8.46	10-year	8.86
Two year	8.73	30-year	8.85

May.7	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.85-7.95	8.05-8.20	8.10-8.25	8.20-8.35	8.50-8.65	8.00
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.50
Zurich	[illegible]	[illegible]	-	[illegible]	-	-
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-

LONDON MONEY RATES

[illegible]

CHICAGO

[illegible]

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

BANK OF ENGLAND TREASURY BILL TENDER

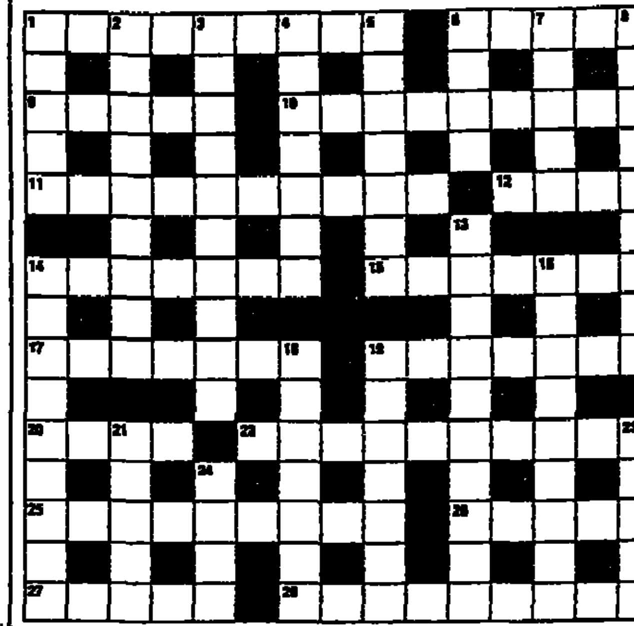
[illegible]

WEEKLY CHANGE IN WORLD INTEREST RATES

[illegible]

CROSSWORD

No.7,232 Set by QUARK



ACROSS

1 Game for a drink after the dance? (9)
6 Devise a striking outfit? (3-2)
9 Fold or staple somehow, missing first of sheets (5)
10 It's an undertaking repairing road and avenue after top's removed (9)
11 Crushed too much? (Not applicable to the tube!) (10)
12 Knocks back the mineral (4)
14 Houses should be knocked down (7)
15 Giving sound result when chewed over? (7)
17 It contains something of interest to writers (7)
19 Unexpected fat in medicinal product is a hidden danger (7)
20 Long cut off time (4)
22 Bill's considering a business activity (10)
25 Call at one indiscriminately or suddenly (3,2,4)
26 Raise an explosive greeting (5)
27 Go into part of the garden terrace (5)
28 Notes the position where money is received (4,5)

DOWN

1 Joint on the river for thick-skinned type (5)
2 Paid for quantity produced, I keep row in order round about (9)
3 Randomly cite ages or classes (10)
4 Means of access down below? (7)
5 He, university man, in charge of the study of pleasure (7)
6 Clothes? Change with speed (4)
7 Endless row in best group (5)
8 Description of man in the doorway (9)
13 Inept person on getting cut could make a meal of it (6,4)
14 Pantomime subject? It's highly improbable (5,4)
16 A serving of rich caviar without starter produces a din (9)
18 Coin tossed in foreign lake expressed in few words (7)
19 Bow on English ship shows great skill (7)
21 Distribute shares voting top one out (5)
23 The visitor is judged, it's said (5)
24 Performer out of this world (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday May 19.

JOTTER PAD

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

BRITISH FUNDS—Contd

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Contd

[illegible]

CANADIANS

[illegible]

Continued on next page

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

For EMC see TRANSPORT

ELECTRICALS – Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

For Coastal Elec. see Kembrey

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

MOTORS, AIRCRAFT TRADES — Contd

Components

Market Cap. £m	Stock		Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
9.06	Abbey Panels		453	-1.1	1.0	15.1	Sept Feb	1501
18.2	Airflow Streamlines	y	213	......	3.8	30.10	Jan July	1538
17.2	Bostrom 5p	y	190	-3.2	5.1	9.4	May Nov	1438
522.6	Dowty 50p	β	219	1.4	5.0	27.12	Mar Oct	2371
121.3	FR Group	β	164	5.1	5.3	30.10	Dec. July	2627
106.2	Kwik-Fit Hldgs. 10p	β	66xd	3.9	4.8	30.4	Nov Jun	3113
1,003.1	Lucas Inds. £1	α	610	2.5	5.5	9.4	Jun Jan	3232
2.39	Splice 5p	y	9	-18.2	‡	4.7	August	4075

Garages and Distributors

Market Cap. £m	Stock		Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
8.25	Alexanders 10p	y	21		5.0	6.3	15.1	March	1562
53.8	Appleyard 10p	β	115	-1.7	9.0	12.3	Oct Apr	1629
2.38	Brit. Motor 20p	y	80	......	13.1	18.9	October	1427
17.2	Caffyns 50p	β	518	-0.4	3.0	11.12	Jan. July	2031
13.7	Central Motor Auctns.	y	165	-2.8	4.2	12.2	Apr Oct	4930
6.65	Cook (D.C.) Hldgs.	y	28	-31.7	‡	30.1	Feb Aug	2231
51.9	Cowie (T.) 5p	β	41	-8.9	13.7	12.3	Sep Apr	2260
22.1	Dagenham Motors 10p	y	73xd	4.3	9.6	30.4	Nov May	4954
12.3	Davenport Vernon 10p	y	93	......	5.0	29.1	March	3912
5.58	Equity & Gen 5p		208	......	10.0	16.10	Dec Oct	2487
39.9	Evans Halshaw	β	194	-2.0	7.7	26.3	Oct May	2506
29.9	Gates (F.G.)	β	95	......	3.9	5.6	July	2661
10.7	Gowrings 10p	y	118	-2.5	6.4	9.4	Nov Jun	4847
110.0	Hartwell	β	140	......	3.0	27.11	Jan. July	2845
7.79	Jacks Wm.	y	72xd	-4.0	3.7	30.4	July Nov	3014
7.44	Jessups	y	88	......	10.9	27.11	Jan. July	3037

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY — Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND — Contd

TRUSTS, FINANCE, LAND — Contd

Finance, Land, etc

WATER

OIL AND GAS

OIL AND GAS — Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES — Contd

Miscellaneous

THIRD MARKET

Market Cap. £m	Stock		Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
9.47	Unit Group	y	177	......	3.8	11.12	Jan Aug	4357
11.4	Wilson Magic Leis. 1p	y	69	-6.8	3.9	26.1	Jan July	5071
3.60	Vista Ests 5p.	y	3½	......	-	-	-	3994
6.95	Vizcaya Hldgs 5p.	y	15	-13.3	-	-	-	4193
44.4	Waterside Leisure 20p	y	28½	-3.4	1.2	12.2	April	1105
0.74	Do. Wrrnts.	y	11	-8.3	-	-	-	1116
17.9	Wilton Group 1p	y	4	-11.1	-	-	-	3628

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.
Unless otherwise indicated, prices are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- # Price at time of suspension
- ♣ Not comparable
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date.
- ¶ No par value

B.Fr. Belgian Francs, Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. c Cents. e Redemption yield. f Flat yield. k Kenya. C Canadian. E Minimum tender price.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p γ	76	......	
Craig & Rose £1 γ	810	......	
Finlay Pkg. 5p γ	55	......	
Holt (Jos) 25p γ	1310	0.2	

IRISH

Cap. 8½% Ln. 1991	£97	......
9pc Cap Ln. 1996	£94	1.1
Fin. 13% 97/02	£111½	0.5

Arnotts	435	......
Carrol (P.J.) γ	155	3.3
Hall (R. & H.)	178	-6.3
Helton Hldgs. γ	75	10.3
IRG	200	......
United Drug	165	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

Industrials	p
Allied-Lyons	39
Amstrad	5½
Astec (BSR)	5½
BAT	83
BOC Grp.	45
BTR	36
Barclays	49
Blue Circle	19
Boots	23
Bowaters	38
Brit Aerospace	42
British Steel	9
Brit. Telecom	25
Cadburys	27
Charter Cons.	40
Comm Union	40
Courtaulds	24
Eurotunnel	60
FKI	7
FNFC	21
Gen Accident	90
GEC	18
Glaxo	56
Grand Met	45
Guardian	19
GKN	33
Hanson	18
Hawker Sidd	55
ICI	85
Ladbroke	25
Legal & Gen	34
Lex Service	26
Lloyds Bank	22
Lucas Inds.	52
Marks & Spencer	17
Midland Bk.	27
Nat West Bk.	29
P & O Dfd	50
Polly Peck	37
Racal Elect.	19
RHM	35
Rank Org Ord.	68
Reed Intnl.	33
STC	20
Sears	9½
SmKl. Beecham A	46
TI	38
TSB	11
Tesco	17
Thorn EMI	62
Trust Houses	22
T&N	17
Unilever	56
Vickers	18
Wellcome	60

Property

Brit Land	32
Control Secs.	5
Land Securities	44
MEPC	44
Mountleigh	14

Oils

Aviva Petm.	5½
Brit Petroleum	28
Burmah Oil	52
County Petm.	12
Gaelic Res.	4½
Premier	18
Shell	37
Tuskar Res.	18
Ultramar	31

Mines

Lonrho	20
RTZ	45

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

4pm prices May 7

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	20¼	AAR	.48	2.2	13	412	22⅛	21¼	21⅞	– ⅛
9¼	8	ACM n	1.01	13.		x180	8¼	8	8	
11⅛	10⅛	ACMIn	1.26	12.		x737	10¼	d10	10	– ⅛
8⅞	7⅛	ACM M	n1.01	14.		x261	7½	7¼	7⅜	+ ⅛
12⅛	11⅜	ACMMM				149	11⅝	11⅜	11⅜	– ⅛
11½	9⅞	ACM Sc	1.26	13.		1969	10	9¾	9⅞	
9⅝	8¼	ACMSp	1.01	12.		464	8⅜	8¼	8¼	
22⅝	14⅛	AL Lab	.16	.8	19	22	21⅛	20⅞	20⅞	– ⅛
4⅛	3	AMCA	.20e	6.4	9	22	3⅛	3⅛	3⅛	
6½	2¼	AM Int			5	176	2½	2⅜	2½	
23⅛	12⅛	AM In pf	2	17.		57	12⅛	d11⅝	11⅝	– ¾
107⅛	52½	AMR			12	3089	64¼	63¾	63⅞	– ⅛
4¼	3	ARX				48	3⅜	3¼	3⅜	+ ⅛
72¼	39	ASA	3a	6.2		770	48¾	48	48⅛	+ ⅛
70⅜	54¾	AbtLab	1.68	2.5	17	2840	68⅝	68⅛	68½	+ ⅞
36⅛	27⅞	AbtLb wi				18	34½	34¼	34⅜	+ ⅛
17⅛	11¼	Abitibi g	.50			41	12⅜	12¾	12¾	
13	8⅞	AcmeC	.40	4.6	10	63	8⅞	d 8⅝	8⅝	– ¼
9¼	7⅝	AcmeE	.32	3.8	10	6	8½	8½	8½	
38½	28⅛	Acuson			21	103	36	35⅞	36	– ⅛
18½	13½	AdaEx	2.06e	13.		127	15⅞	15⅝	15⅜	+ ⅛
15⅛	8½	Adobe				124	11⅛	11	11	– ⅛
20¼	17⅛	Adob pf	1.84	9.7		15	19	18¾	19	
27⅝	19⅞	Adob pf	2.40	12.		42	20½	20⅜	20⅜	– ⅛
10½	6⅞	AMD			18	4318	8⅝	8⅜	8⅝	+ ¼
35	28¼	AMD pf	3	10.		65	29¼	29	29¼	– ¼
10⅛	4⅛	Advest	.16	3.5	58	165	4⅝	4⅛	4⅝	+ ⅜
62½	45¼	AetnLf	2.76	5.5	9	3569	50¼	49¼	50¼	+ ⅞
14	9⅞	AffPb	.24	2.4		1012	10¼	10	10	– ⅛
25	16⅛	Ahmans	.88	5.0	8	2926	17¾	17¼	17¾	+ ½

Continued on Page 41

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14⅝	10¼	QstVC				960	13¾	13½	13⅝	+¼
39¾	32⅛	Questar	1.32	3.6	14	148	34⅞	34¼	34¼	−¼
18¼	11¼	QkRelly	.28a	2.2	10	60	12⅝	12½	12½	−⅛
— R — R — R —										
11⅞	9⅞	RAC	In1.20a	12.		x424	10½	10¼	10¼	
6⅝	1⅞	RAC	.46e	11.	9	124	4⅜	4¼	4¼	
12⅝	6⅞	RLI Cp	.40	3.4	7	24	11⅞	11¾	11¾	−¼
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NASDAQ NATIONAL MARKET

3pm prices May 7

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. [illegible]

AMEX COMPOSITE PRICES

4pm prices May 7

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICA

Dow posts further gains after a hesitant opening

Wall Street

OVERCOMING a hesitant start, Wall Street equity prices posted further moderate gains yesterday in light volume, *writes Roderick Oram in New York.*

Investors were encouraged by the better tone of the bond market after last Friday's mini-bond rally in the wake of weak job creation figures.

Credit markets backtracked a little yesterday, although, on profit taking and the usual caution ahead of the Treasury's $30.5bn quarterly refunding. The exercise starts today with the sale of $10.5bn of three-year notes.

Bond traders are optimistic that overseas and US retail demand should be sufficient for the refunding to go well, though some analysts are more cautious.

The price of the Treasury's benchmark 30-year long bond slipped by 1/16 of a point to 96 11/32 yielding 8.84 per cent. Shorter maturities showed smaller price losses. The yield on three-month Treasury bills was up four basis points at 8.04 per cent.

The Dow Jones Industrial Average closed up 11.26 points at 2,721.62, somewhat below its afternoon high. It had opened cautiously and began slipping below its close last Friday. Within the hour it had started to climb steadily to head for its sixth rising session in a row, although afternoon profit taking left some traders worrying the mini-rally was running out of steam.

Broader indices rose in line with the Dow Industrials with, for example, the Standard & Poor's 500 adding 2.14 to 340.53 and the New York Stock Exchange composite index adding 1.07 to 186.45.

Trading on the NYSE was relatively light at 133.8m shares with advancing issues outnumbering those declining by a ratio of almost two-to-one.

Some of the most brisk buying was focused on technology stocks, particularly in the over-the-counter market.

Interest rate sensitive stocks also attracted attention, benefiting from the hope in the bond market that interest rates had peaked for the time being.

Chase Manhattan, for example, was the most active NYSE stock and unchanged at $24⅝ and Citicorp edged up $⅛ to $22⅞.

The outlook for profits is one questions hanging over equities. Friday's weak job figures, the first glimpse of the economy's progress in April, implied a slower rate of growth than expected.

Among technology stocks that performed well yesterday, Intel added $⅞ to $43⅛ and was the most active stock in the over-the-93 counter market.

Motorola, the electronics and cellular telephone equipment maker, rose $1⅛ to $72⅛ to a 52-week high after telling analysts its orders rose in April.

Nordstrom jumped $1⅞ to $29⅞ following broadcast of a less-critical-than-expected television programme about the Seattle-based department store chain.

The company has been hard hit by labour problems such as a recent federal order to pay employees for overtime they had worked.

Playboy Enterprises edged up $⅛ to $12⅞ after its said it would undertake a recapitalisation.

The plan includes creating two classes of common stock, one of which will be non-voting.

Canada

A RALLY in the domestic bond market pushed Toronto stock prices higher at close yesterday.

The 300 Composite Index gained 53.67 points to close at 3,421.51 on 21.5m shares. Value of trading totaled C$254.4m compared with C$226.7m on Friday.

Most of the sub-indices posted sharp gains with gold, financial services and mining all ahead by more than 2 per cent on index.

Campeau Corp gained 0.50 to 2.15. The company announced plans to sell off a significant portion of its real estate to restructure its finances.

Toronto defies its 'New York clone' label

Canada has moved, mostly lower, for its own reasons this year, writes Bernard Simon

THE BEST that can be said for the Toronto Stock Exchange's recent performance is that it has not been the worst in the world.

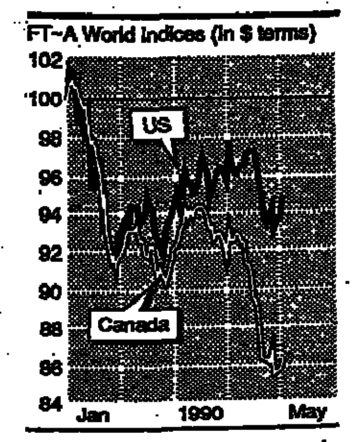
But it has been the second worst, with its decline exceeded only by the battered Tokyo exchange among those markets covered by the FT-Actuaries World Indices. By Friday's close, Toronto's TSE 300 composite index had slid by 7.5 per cent since the beginning of April, bringing its drop for the year to 15.2 per cent. The index had managed to rise 1 per cent in the final three sessions of last week, after fluctuating from day to day since April 25; a tiny rise on that day had brought a run of 11 successive falls to an end. The TSE 300 remains 18 per cent below its August 1987 peak of 4,113.

Often seen by outsiders as a resource-based clone of the New York Stock Exchange, Toronto has had plenty of problems of its own this year. Its resource base has been one of them. In spite of efforts at diversification, the Toronto market remains dominated by the big Canadian resource companies and, therefore, it had been hit hard this year by the slide in metal, forest products and energy prices.

Forestry companies, in particular, have produced dismal first-quarter earnings. The newsprint producer, Abitibi-Price, lost C$11.3m (US$9.7m), while Noranda Forest's earnings shrivelled by 90 per cent to a paltry C$6m. Canadian Pacific Forest Products, which also eked out the smallest of profits, cut its dividend. By Friday, Abitibi's share price had sunk to C$15 from a year's high of C$21⅛, Noranda had fallen from a 1990 high of C$23⅞ to C$18⅞ and CP Forest had come down in less than a year from C$44 to C$30.

The resource groups – as well as other big exporters, such as the steelmakers – have also been hit by the strong Canadian dollar. Mr Fred Telmer, newly-appointed chief executive of Stelco, the country's second biggest steel producer, compares the rise in the dollar to a 15 per cent price increase on the company's US business. Furthermore, US suppliers' share of the Canadian steel market has almost doubled to 9 per cent in the past four years. Stelco suffered a C$13.3m first-quarter loss.

FT-A World Indices (in $ terms)



The Canadian currency is being held up by high interest rates, which are designed to bring down inflation but, in the process, are pinching corporate profits. Canadian banks lifted their prime lending rates last month from 14.25 per cent to 14.75 per cent, and the gap between US and Canadian short-term rates is now at a record 5.5 percentage points, double the gap of two years ago. The high cost of money has, of course, been especially hard on companies which borrowed heavily to finance their expansion of the past few years.

These include some of the former blue-eyed boys of Canadian business. Mr Robert Campeau's troubled real estate and retail holding company became a "penny stock" in April when its price sank below C$1. But news that Mr Campeau has struck a deal to regain control of the company helped the price rebound to C$1.90 by last Friday. Just a year ago, Campeau was trading at more than C$20.

Similarly, the share price of Magna International, the debt-burdened auto parts maker which was building a factory a month in the mid-1980s, had tumbled to C$3.60 by Friday, about a third of what they were worth a year ago. Magna lost C$187m in the three months to January 31, including a C$153m write-off.

A few stars have continued to shine through the gloom. One is Northern Telecom, the telephone equipment maker. Nortel announced a first-quarter earnings jump of 55 per cent last week. At C$28⅞, its share price is almost 50 per cent up on its 1989 low.

Mr Philip Heitner, portfolio strategist at Nesbitt Thomson, a Toronto securities firm, is among those who think the TSE has now discounted most of the bad news coming from Canadian companies. But while Toronto share prices may have marched to their own beat in the past few months, Mr Heitner predicts they are unlikely to stage much of a comeback without a lead from Wall Street. "It's still too soon to get bullish," he says.

One bit of good news that may lie ahead for the Toronto market is that the Canadian dollar is widely expected to start falling by the end of the year. At least some parts of the market would be helped by a reversal of gold's recent decline, or more discipline among oil producers.

On balance, though, few onlookers expect a rebound in the market as a whole for some time. The Canadian economy is slowing to a crawl as the high interest rates start to bite. The outlook for commodity prices is far from rosy. And there are few takeover rumours these days to bring some excitement to the market.

ASIA PACIFIC

Japan rises as investors return from break

Tokyo

BUOYANCY IN overseas markets and a strong yen encouraged investors to go on a buying spree yesterday on their return from a series of holidays in Tokyo. The Nikkei average rose 2.6 per cent in its fourth consecutive gain – the first time it has risen for four sessions in a row this year, *writes Michiyo Nakamoto in Tokyo.*

Share prices rose over a wide front, taking the Nikkei up to 30,956.27 at the close, a gain of 782.63 points. The intraday high was 30,956.66 and the low 30,211.55. Advances led declines by 867 to 122 while 112 issues were unchanged.

Turnover was a moderate 600m shares, up from 480m on Wednesday, when the Tokyo market was last open. The Topix index of all listed stocks gained 48.68 to 2,296.49.

Investors came back from the Golden Week holidays in better spirits, encouraged by gains on overseas markets and a sense that worldwide interest rates had stabilised. "The market has a definite spring in its step," commented Mr George Nimmo at SBCI Securities.

There was a consensus that the auction for US Treasuries, beginning today, was unlikely to see a surge in interest this time; there had been fears last week that strong demand for US government bonds could lead to further strength in the dollar. The yen has mostly been standing its ground against the dollar recently.

The focus yesterday was still on special situations. Isuzu, up Y20 at Y1,150, and Osaka Gas, rising Y100 to Y780, were popular on the news that, separately, they had developed powerful energy storage equipment. Nippon Mining, which has been sought recently on a number of stories, gained Y20 to Y1,010 and was second in volume at 33.2m shares. Yesterday the news was that Japan's Metal Mining Agency had found a rich gold deposit in south-western Japan.

An analyst at a leading Japanese securities firm said that special situations could be proving attractive because of their quick price movements. "These issues have traditionally been known as low-priced, speculative plays."

However, big heavy industrials, which are expected to produce healthy profits, were also pursued. Mitsui Engineering and Shipbuilding topped the volumes list with 23.6m shares and advanced Y14 to Y949. The big steel companies firmed, with NKK and Nippon Steel each rising Y10, to Y603 and Y600 respectively, in active buying.

With the yen beginning to show some strength, interest in heavy industries and steel stocks, which are dependent on domestic demand, could see more of a recovery, some analysts predicted.

Issues supported by domestic demand were in favour in Osaka, where the OSE average gained 614.79 to 33,105.98. Turnover rose to 64.9m shares from 46.9m on Wednesday.

Roundup

THE HARD-WON recoveries in Tokyo and New York brought renewed confidence to foreign investors in the Pacific Basin yesterday.

SINGAPORE hosted a strong comeback by foreign and institutional fund managers. Turnover nearly doubled to 101m shares from 53m as the Straits Times industrial index rose 34.60, or 2.3 per cent, to 1,514.48 for its biggest one-day gain this year.

Singapore Land, target of a S$15-a-share bid from UIC, was the most active stock in turnover of 4.5m shares, and rose 20 cents to S$15 following the announcement of defensive moves, including the listing of an associate and the release of new asset valuations. However, UIC said that it had raised its equity stake in Singland to 39.9 per cent.

KUALA LUMPUR's advance was even more marked, turnover more than doubling from 32m to 76m shares as the composite index put on 18.98, or 3.6 per cent, to 550.81 after a 2.2 per cent increase on Friday.

SEOUL heard a television speech from President Roh Tae-woo restate the government line that it would eradicate rampant real estate speculation to revive the economy and the stock market, and built on the recovery which began last Tuesday. However, the depth of yesterday's rally was slightly suspect.

The composite index rose 9.23 to 791.56 in heavy volume of 21m shares worth 362bn won. But, in spite of the gain in the key index, losers outnumbered winners by 474 to 207, with 106 unchanged.

TAIWAN eased after a 318-point gain on Saturday, on top of Friday's 122-point technical rebound from its year's low. Yesterday was marked by disconsolate comment on capital investment prospects, with a list of ills including political and social instability, a labour shortage, high prices and rising crime. The weighted index fell 63.23 to 8,880.16.

AUSTRALIA's rally took the All Ordinaries index up 16.8 to 1,478.0 as turnover climbed from 63m shares and A$115m to 106m and A$135m. The June share price index futures contract soared 34 points to 1,502.0, suggesting that share prices could rise further.

Industrials saw the best of the day's play. TNT, the transport group, added 4 cents to A$2.50, although its nine-month profits fell 39.6 per cent.

SOUTH AFRICA

OPTIMISM ABOUT the outcome of last week's talks between the Government and the ANC lifted Johannesburg shares yesterday. Gains were restricted, however, by a higher financial rand; the JSE Gold index rose 43 to 1,775.

EUROPE

Bourses advance in run-up to string of company results

RISES ahead of results due this week suggested yesterday that some investors had regained their taste for equity investment, *writes Our Markets Staff.*

FRANKFURT extended last week's rally and kept volume high in spite of the absence of the London market, an important channel for foreign investment in West German shares.

The market is expecting national agreement on the metalworkers' pay and hours negotiations; and the threat of higher interest rates receded further over the weekend as the Bundesbank president, Mr Karl-Otto Pöhl, described fears associated with monetary union as exaggerated.

The average bond yield fell another 5 basis points yesterday to 8.85 per cent. Equities saw the FAZ index up 5.52 to 809.43 at midsession, and the DAX accelerate to post a 22.06 rise to 1,934.95 at the close. Volume was DM8.7bn, against DM9.4bn on Friday.

Volkswagen topped the individual charts in turnover of DM1.05bn, its shares rising DM14.10 to DM616. Mr Werner Wanke, head of securities at B. Metzler in Frankfurt, said that this reflected hopes of a 30 per cent profits rise and good news for 1990 at tomorrow's 1989 results news conference.

Chemicals and banks mostly lagged behind, the former worried about the strong D-Mark and falling prices, and the latter ignoring the rise in bond prices – which could explain why Allianz, the insurer, put on DM95 to DM2,645.

At the heavy end of the economy, Hoesch responded to good first quarter results with a DM10 rise to DM366; it has yet to react to the steel industry downturn, reflected, after hours, in a 13.9 per cent drop in West German raw steel production for April.

PARIS rose in very thin trading as many investors stayed away before today's Victory Day holiday. The CAC 40 index gained 17.19 to 2,119.83, within 10 points of its all-time high set on April 20, in turnover estimated at FFr1bn to FFr1.2bn after Friday's FFr3.2bn.

One dealer said that, in spite of the thin trading, the market had been encouraged by the rises yesterday and on Friday, and analysts believed that the rally would continue in better volume after the extended break.

Thomson-CSF, which fell sharply on Friday after its profits warning, edged up 10 centimes to FFr131.10 in the second biggest volume of the day, with 246,600 shares traded.

Saint-Gobain, the glassmaker which has been busy making international acquisitions, rose FFr16 to FFr632. Havas, the media group, ended at FFr695, after a one-for-two share split and a one-for-three scrip issue. It stood at FFr1,741 at Friday's close.

AMSTERDAM finished a little higher in light trading, restricted by the holiday in London. The CBS tendency index added 0.6 to 117.4.

Companies which had fallen last week, after poor interim results and warnings, recovered slightly. Philips added 70 cents to Fl 33.10 in busy trading after sinking to a year's low on Friday, while DAF, the truck maker, eased only Fl 1 to Fl 29.80 after going ex a Fl 2.50 dividend.

Unilever, which reports first-quarter figures on Friday, rose 80 cents to Fl 142.90 and Elsevier, the publisher which said it is in takeover talks with US companies, added Fl 2.20 to Fl 84.30.

MILAN was enlivened by rises in Fiat in front of today's 1989 results. The savings shares rose 2 per cent and the preferred gained 1.3 per cent as the ordinary put on L55 to L10,420. The telecoms group, Stet, rose another L68 to L5,969, up L489 in four days; it reported good results last Thursday. The Comit index rose 3.27 to 703.30.

However, the sentiment was not all bullish. Enimont fell L83 to L1,422. It said later that it expected 1990 net profits to fall to about L450bn from the provisional L750bn in 1989.

STOCKHOLM saw Ericsson, the telecommunications stock, move higher on hopes of a big rise in first-quarter earnings, due today. Its free B shares rose SKr27 to SKr984 in turnover of SKr67m.

Other shares also gained ground, buoyed by lower domestic interest rates. The Affärsvärlden General index added 6.6 to 1,167.3 in turnover of SKr272m.

MADRID rose in fairly good volume, as the construction sector strengthened and banks mostly recovered from early weakness. The general index picked up 1.69 to 276.91.

Constructions attracted buying from foreign, including US, and domestic sources. Dragados gained Pta50 to Pta3,020, Uralita added Pta55 to Pta3,510 and Vallehermoso rose Pta45 to Pta3,085 on its first day on the continuous market. Asland, reporting 1989 pre-tax profits up 44 per cent, gained Pta30 to Pta5,700.

BRUSSELS rose late in the day on speculation that Mr Carlo de Benedetti, the Italian financier, had sold privately part of his 15.4 per cent stake in Société Générale de Belgique. The market had feared that Mr de Benedetti planned to sell his shares on the open market. Société Générale rose BFr20 to BFr3,285 with 26,950 shares traded. Earlier in the day, the cash market index eased 26.17 to 6,070.82.

VIENNA again attracted foreign buying interest, with the bourse index gaining 13.62 to 660.71 in active trading.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY MAY 7 1990						FRIDAY MAY 4 1990			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (81)	131.23	+1.6	116.58	115.39	+1.4	6.01	129.14	115.33	113.85	158.31	125.86	137.93
Austria (19)	256.56	+1.9	227.92	224.12	+1.9	1.19	251.87	224.95	220.02	285.63	193.15	123.31
Belgium (61)	148.74	+0.4	132.14	125.39	−0.5	4.65	148.12	132.29	126.02	160.02	132.11	132.39
Canada (120)	133.87	+1.4	118.92	112.69	+1.3	3.54	132.05	117.94	111.21	153.61	130.37	135.00
Denmark (34)	249.22	+1.6	221.40	213.02	+0.6	1.56	245.31	219.09	211.78	260.82	236.69	180.47
Finland (26)	131.82	+0.0	117.11	108.71	−0.6	2.52	131.76	117.68	109.32	152.29	129.90	151.88
France (125)	168.75	+1.4	149.91	147.20	+0.5	2.78	166.40	148.62	146.44	168.75	141.69	118.56
West Germany (93)	137.28	+1.8	121.96	118.09	+0.8	1.87	134.82	120.41	117.16	137.71	122.05	85.74
Hong Kong (46)	122.62	+0.6	108.93	122.66	+0.6	5.07	121.93	108.90	121.98	126.90	112.24	138.61
Ireland (17)	177.71	+1.3	157.87	154.28	+0.3	2.79	175.45	156.70	153.89	198.57	172.72	146.92
Italy (96)	102.95	+1.4	91.46	93.36	+0.5	2.46	101.54	90.69	92.91	103.73	91.85	79.78
Japan (454)	141.66	+2.5	125.85	141.54	+2.3	0.59	138.18	123.41	138.31	197.28	124.40	191.31
Malaysia (35)	214.82	+3.6	190.84	224.04	+3.6	2.42	207.34	185.18	216.32	245.32	204.15	182.22
Mexico (13)	423.26	−0.6	376.01	1304.10	−0.6	0.40	425.92	380.40	1312.29	425.92	324.53	182.12
Netherland (43)	139.43	+1.5	123.87	118.44	+0.6	4.76	137.32	122.64	117.73	145.66	130.43	118.89
New Zealand (17)	62.00	+0.4	55.08	57.45	+0.4	7.63	61.72	55.13	57.21	75.36	59.57	72.17
Norway (23)	227.39	+0.4	202.01	198.84	−0.3	1.56	226.46	202.26	199.49	245.90	202.34	187.88
Singapore (25)	190.81	+3.5	169.51	164.57	+3.3	1.83	184.30	164.61	159.25	199.38	179.70	158.22
South Africa (60)	181.56	+2.3	161.29	163.66	+2.3	3.61	177.52	158.55	160.02	251.39	173.80	136.64
Spain (42)	157.78	+1.6	140.17	123.81	+0.6	4.28	155.25	138.66	123.08	185.19	132.84	153.00
Sweden (35)	191.20	+1.6	169.86	171.03	+1.0	2.38	188.23	168.11	169.28	206.95	173.89	157.36
Switzerland (65)	94.41	+1.2	83.87	83.64	+0.2	2.46	93.25	83.29	83.51	99.12	88.75	72.86
United Kingdom (306)	146.04	+0.5	129.74	129.74	+0.0	5.10	145.26	129.74	129.74	164.31	139.87	146.85
USA (537)	137.61	+0.6	122.24	137.61	+0.6	3.52	136.76	122.14	136.76	145.40	130.61	124.64
Europe (985)	142.24	+1.1	126.36	123.64	+0.3	3.62	140.63	125.60	123.21	146.66	135.57	119.06
Nordic (118)	191.41	+1.4	170.05	161.00	+0.6	1.95	188.84	168.66	160.02	201.89	185.01	154.62
Pacific Basin (660)	140.53	+2.4	124.84	139.66	+2.3	0.91	137.18	122.52	136.57	192.75	124.63	186.87
Euro – Pacific (1645)	141.59	+1.9	125.79	133.68	+1.5	2.01	138.94	124.09	131.73	174.18	130.35	159.75
North America (657)	137.29	+0.7	121.96	135.96	+0.7	3.52	136.38	121.81	135.07	145.78	131.02	125.17
Europe Ex. UK (679)	137.80	+1.5	122.42	119.18	+0.6	2.76	135.77	121.26	118.53	137.80	124.81	101.79
Pacific Ex. Japan (206)	126.40	+1.5	112.29	115.04	+1.3	5.26	124.57	111.26	113.54	139.32	122.53	133.53
World Ex. US (1838)	141.88	+1.9	126.04	133.58	+1.5	2.08	139.24	124.36	131.63	173.77	131.30	158.67
World Ex. UK (2069)	138.64	+1.5	123.16	135.35	+1.3	2.31	136.53	121.93	133.61	162.00	130.80	145.28
World Ex. So. Af. (2315)	139.03	+1.4	123.51	134.57	+1.2	2.56	137.04	122.40	133.01	161.84	131.95	145.46
World Ex. Japan (1921)	139.45	+0.9	123.89	131.49	+0.6	3.62	138.21	123.44	130.73	145.52	134.62	123.43
The World Index (2375)	139.29	+1.5	123.74	134.77	+1.2	2.57	137.29	122.62	133.20	162.05	132.25	145.41

U.K. market closed May 7.